

UMKHANYAKUDE DISTRICT MUNICIPALITY



ANNUAL REPORT: 2009/2010 FINANCIAL YEAR

“To meet the basic needs & improve quality of the community in a democratic and sustainable manner”

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MAYOR'S FOREWORD

The development and publication of the Annual Report is one of the ways and means of giving an account of the service delivery and governance initiatives as undertaken by Umkhanyakude District Municipality for the 2009/2010. As the Mayor of the Municipality, it gives me pleasure to once more speak directly to the beneficiaries and all other stakeholders about the year that we are reporting on.

There are a number of internal and external factors that impacted on our service delivery effort. These ranges from the staff turnover, inadequate financial resource to meet our set goals, the huge infrastructure backlogs that are part of the legacy of the pre-1994 era and the list is endless. In spite of all the negative factors we are going through, we are required and duty bound to meet or satisfy the ever-escalating legitimate needs of our communities.

In terms of the process and procedure, the Municipality relied on a number of initiatives to communicate with community stakeholders; such as the IDP Representative Forum meetings; IDP/Budget consultative meetings; and other community meetings. Results from such initiatives though cannot be expected to bring about desired outcomes within a short space of time as the nature of challenges requires a complete change in the strategic direction of the Municipality.

The persisting drought within the District resulted in over 20 tankers being engaged to service areas where water sources have run dry or schemes were under maintenance and as such water was not available to communities in such areas. A resolution was therefore taken by the Council during 2009/2010 FY that tanker service that were providing water to a number of communities throughout Umkhanyakude District be terminated.

This decision was a result of municipality's inability to meet financial obligations associated with the provision of this service this matter was thoroughly communicated with members of ward committees during IDP/Budget consultative meetings which were held in March 2010. While the Council realizes that this is a major setback in basic service delivery programmes of the Municipality, the decision to terminate the service was unavoidable.

By the end of the 2009/2010 FY, only 11 days were left for the 2010 FIFA World Cup to stage the closing ceremony and the final soccer match. It was such a memorable experience for all of us. This event was history in making for South Africa and the continent of Africa as a whole. The tournament was very successful in many respects especially for cities that hosted various soccer

matches. It is hard to pin point benefits that were reaped by Umkhanyakude District through this tournament.

There is an outdoor big screen legacy project which can be associated with the 2010 FIFA World Cup. This project was an initiative by SANRAL and MTN and was launched at Kwa-Msane area next to the sports ground. Only a small portion of the community benefited from this project but Umkhanyakude District Municipality is proud as this project was the first of its kind in the entire Province of KZN. The big screen will be further utilized during the upcoming rugby and cricket world cup events and many more to come in future.

It is also worth noting that Umkhanyakude District Municipality's netball team has been the success story at the annual KWANALOGA games. The team has been champions for three (3) years in succession between 2008 and 2010.

On behalf of Umkhanyakude District Municipality, I therefore present the Annual report for 2009/2010 Financial Year; an expression on the activities that transpired in the financial year under review.

Cllr. M.C. ZUNGU
HIS WORSHIP, THE MAYOR

MUNICIPAL MANAGER'S FOREWORD

It is important to emphasize that the mandate of Umkhanyakude District Municipality is based on section 152 of the Constitution of the Republic of South Africa (1996); and prescripts of the Municipal Structures Act No. 117 of 1998, Municipal Systems Act No. 32 of 2000, the Municipal Finance Management Act No. 56 of 2003, and all other applicable pieces of legislation. Emanating from the legal framework that governs and seeks to regulate local governance, the Municipality also engages service delivery business through Integrated Development Plan, approved Budget and the recently adopted Municipal Turnaround Strategy (MTAS).

Towards the end of 2009 the Honourable Minister of the Cooperative Governance and Traditional Affairs (COGTA) Department introduced a concept of Local Government Turnaround Strategy which was welcomed by Umkhanyakude District Municipality. The District Municipality has developed its turnaround strategy however by the end of the 2009/2010 FY there were no significant results that could be tabled in this report. It is worth mentioning that one of the administrative challenges faced by the Municipality evolves around financial management. After having carefully assessed the situation a decision was taken to request the Honourable MEC for finance, Ina Cronje to assist the Municipality by providing a team that would give support on financial management challenges that the Municipality was facing. This initiative worked very well.

There seems to be notable improvements in the way in which the Municipality is complying with the prescripts of the MFMA and this will improve Auditor General's opinion on financial statements. Various other hands on support initiatives by the KZN COGTA are much appreciated and it is quite clear that these would bear positive results for the Municipality.

It is with honour to present this annual report for 2009/2010 financial year, which captures the performance that took place during my stint as an Acting Municipal Manager. At the time when the Council engaged me in this position, I had to adjust quite quickly to the realities that all municipalities in South Africa have to deal with on a daily basis.

S R Mathobela
Acting Municipal Manager

CHAPTER 1: UMKHANYAKUDE DISTRICT MUNICIPALITY: AN OVERVIEW

WHY THIS ANNUAL REPORT?

Local government is the sphere of government closest to the people. Basic services delivery takes place at a local government level. Local government is the entry-point of development interventions by the Government, where locals need not only be informed, but also involved in all decisions of their development, hence a developmental local government.

Developmental local government means a local government committed to "work with citizens and groups within the community to find sustainable ways to meet their social, economic and material needs and improve the quality of their lives". It should target especially those members and groups within communities that are most often marginalized or excluded, such as women, disabled people and very poor people. (White Paper, 1998).

The crux of the Annual Report is to measure the performance of the municipality, i.e. its developmental role and expectations as enshrined in the White Paper on Local Government (1998). The Annual Report is a very important instrument of ensuring that there is a regular, impartial feedback to the community and other stakeholders. It strengthens accountability and accuracy.

Municipalities must prepare and submit an Annual Performance Report for each Financial Year, articulating the Performance of the Municipality and its Service providers in relation to the Developmental Objectives as enshrined in the Municipal IDP (MSA, Act No. 32 of 2000). In the same token, the Municipal Finance Management Act requires that municipalities prepare an Annual Report for each and every Financial (Act No. 56 of 2003).

The Umkhanyakude 2009/2010 Annual Report reflects on the performance of the Umkhanyakude District Municipality for the period 1 July 2009 to 30 June 2010. This report has been prepared in compliance with Section 121(1) of the Municipal Finance Management Act, 2003 and Section 46 of the Municipal Systems Act respectively.

In presenting this Report for the financial year ended June 2010, Umkhanyakude acknowledges the progress made during that financial year as well as the daunting challenges that lie ahead.

This report will follow all the processes prescribed by Section 129 of the MFMA, such as approval by the Council; publication for comments and consideration by the oversight committee established by the Municipality in terms Section 129 of the MFMA.

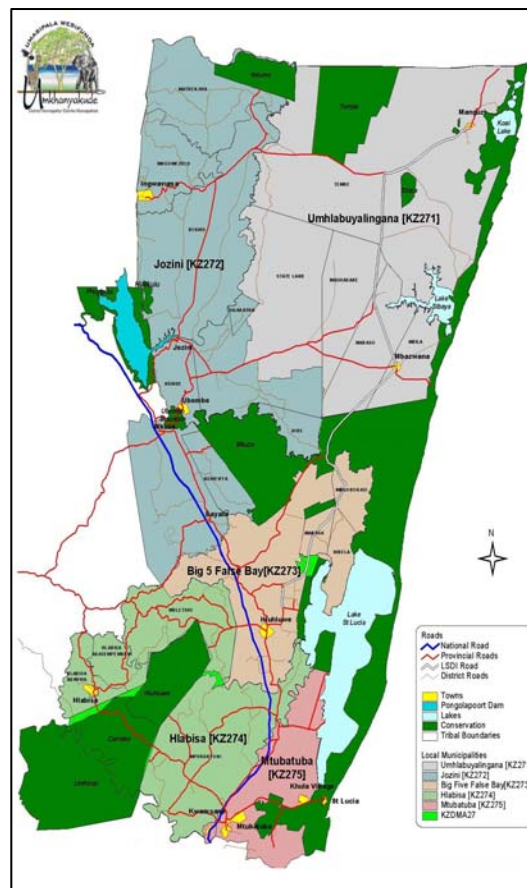
OVERVIEW

Umkhanyakude District Municipality is located in the far North of KwaZulu-Natal Province, South Africa (**Latitude 27°37'21.63"S, Longitude 32°01'47.14"E**). At about 12 818 km² and with a population totaling 614 046, the District is the 2nd largest District in KwaZulu-Natal (spatial terms only). The District is demarcated as DC 27 as per the Municipal Demarcation Board. On one hand the District shares its borders with Swaziland and Mozambique, and on the other, with other Districts, i.e. Zululand and Uthungulu District Municipalities. The Isimangaliso Wetland Park encompasses the entire coastline. The District is one of the poorest not only in the Province but also in the country.

The District consists of the following municipalities:

MUNICIPALITY	MAIN ADMIN LOCATION	POPULATION ESTIMATES	AREA (km ²)
Umhlabuyalingana: KZ271	MANGUZI	163 694	3693 km ²
Jozini: KZ272	JOZINI	207 250	3082 km ²
The Big Five False Bay: KZ273	HLUHLUWE	34 991	1191 km ²
Hlabisa: KZ274	HLABISA	150 557	1417 km ²
Mtubatuba: KZ275	MTUBATUBA	46 596	705 km ²
Umkhanyakude District: DC 27	MKHUZE	614 046	12818 km²

The map below depicts the geographical area of Umkhanyakude District Municipality and it also gives a picture of five (5) local municipalities within the District.



DISTRICT'S POPULATION DYNAMICS

UMkhanyakude District Municipality is home to 614 046 people that translate to 114 973 households (Community Survey: 2007). Table 1 reflects the population figures in the district as per the total number of persons and as well as the total number of households. The majority of the population is concentrated in Jozini, Umhlabuyalingana, and Hlabisa Municipal areas, with Jozini and Hlabisa municipalities adding to more than half of the total population of the District. Such population pattern is likely to change in these municipalities especially Hlabisa due to the newly planned demarcation of municipal boundaries to take effect from March 2011.

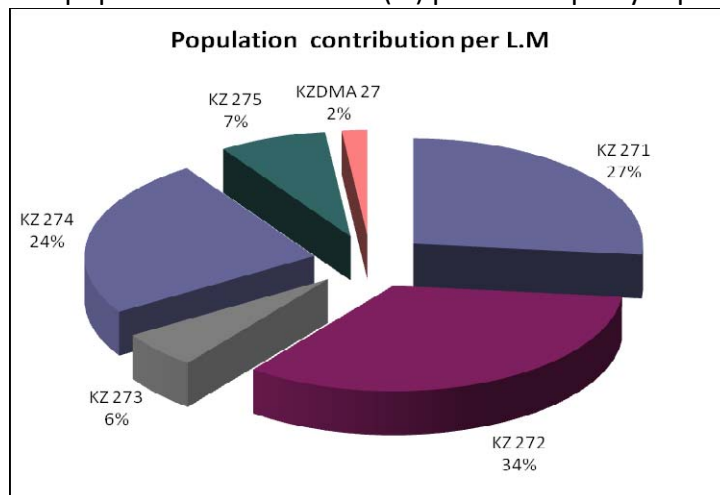
The following are population Figures in Municipalities within DC27 (stats-SA: 2007)

MUNICIPALITY	POPULATION SIZE	MALES	FEMALES	HOUSEHOLDS
KZ271	163 694	73828	89866	27006
KZ272	207 250	95918	111330	38530
KZ273	34 991	16432	18558	6657
KZ274	150 557	67919	82634	29260
KZ275	46 596	22929	23666	11339
DMA	10 958	5916	5045	2184
DC 27	614 046	282941	331099	114976

HOUSEHOLDS

UMkhanyakude district Municipality comprises of about 114 976 households, with Jozini, Hlabisa and Mhlabuyalingana municipalities having the most number of household, thereby the most population. Around 70% of the households in the District have between 3 and 6 members per household.

The population contribution (%) per municipality is presented below:



Household Size per Local Municipality is presented below (StatsSA: 2007):

MUNICIPALITY	01-03	04-06	07-09	10+
KZ271	8623	9249	6325	2810
KZ272	13222	13283	8254	3771
KZ273	2938	1789	1173	756
KZ274	7572	11214	7003	3471
KZ275	5353	3935	1589	463
DMA	931	715	371	167
DC 27	38639	40183	24715	11439

The table below illustrates a significant increase in the total **number of both the persons and households** in the district. On one hand the total number of person increased from approximately 573 341 in 2001 to 614 046 in 2007; and on the other, total number of households **increased** from 101 563 in 2001 to 114 973 in 2007. The following are comparative statistics for Population and households figures (StatsSA: 2001 & 2007):

MUNICIPALITY	TOTAL NUMBER OF PERSONS		TOTAL NUMBER OF HOUSEHOLDS	
	Census:2001	CS:2007	Census:2001	CS:2007
KZ271	140 958	163 694	25 959	27 006
KZ272	184 052	207 250	33 534	38 530
KZ273	31 291	34 991	6 183	6 657
KZ274	176 890	150 557	26 876	27 260
KZ275	33 612	46 596	7 472	11 339
DMA	6 538	10 958	1 539	2 181
DC 27	573 341	614 046	101 563	114 973

A District-wide social demography is also characterized by an imbalanced geographic concentration of various races, whereby whites are predominantly located in the urban centers, especially in the coastal towns such as St. Lucia. Those whites that are located inland (in the rural centers) are either farmers or owners of businesses mostly tourism-related businesses. The majority of the black population is concentrated in rural areas and in the outskirts of the major towns within the UDM.

While Mtubatuba is the 4th most populated municipality in the District; it also has the largest concentration of whites, coloureds and Indian/Asian population. White population at Mtubatuba is predominantly concentrated around St. Lucia, whereas Indian/Asian population around Mtubatuba town.

MUNICIPAL POWERS AND FUNCTIONS

The powers and functions of municipalities should be exercised in a way that has a maximum impact on the social development of communities and on the growth of the local economy. In addition to traditional water and sanitation provision and so forth, municipalities have a new expanded role to play. They must also lead, manage and plan for development within their respective jurisdictions.

The powers and functions of the UMkhanyakude District Municipality, tabled in terms of sections 83 and 84 of the Municipal Structures Act, are as follows:

- 1) Integrated Development Planning for the District Municipality as a whole, including a framework for integrated development plans for the local municipalities within the area of the District Municipality, taking into account the integrated developments plans on those local municipalities,
- 2) Bulk supply of water that affects a significant proportion of municipalities in the district
- 3) Bulk supply of electricity that affects a significant proportion of municipalities in the district.
- 4) Municipal Health Services serving the area of the District Municipality as a whole
- 5) Fire Fighting services serving the area of the District Municipality as a whole

The following functions are shared by both the district and its family of municipalities:

- 1) Promotion of local Tourism;
- 2) Fire fighting services;
- 3) Municipal airports;
- 4) Municipal planning;
- 5) Municipal public transport;
- 6) Cemeteries, funeral parlors and crematoria;
- 7) Refuse removals, refuse dumps and solid waste removals;
- 8) The establishment conducts and control of fresh produce markets and abattoirs; and
- 9) Municipal roads which form integral part of a road transport system for the area of the District Municipality as a whole.

EXECUTIVE SUMMARY

The Umkhanyakude 2009/2010 Annual Report has been prepared in accordance with the provisions of Section 121 of the MFMA, and Section 46 of the MSA respectively. In terms of the National Treasury Guidelines for the Annual Reports, the report should comprise of five (5) Chapters to reflect the key activities undertaken within the organization during the Financial Year under review. A brief summary of content of each Chapter is outlined below:

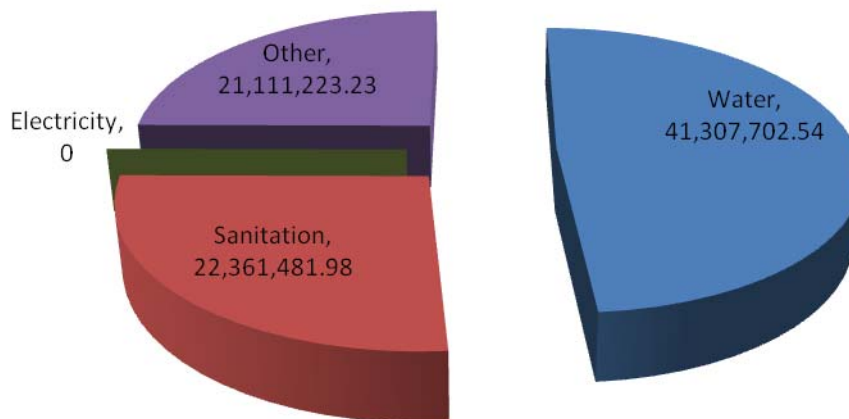
- **Chapter 1:** This chapter articulates the District's spatial location in relation to other Districts within KwaZulu-Natal province. The composition of the District in terms of constituent local municipalities, and their centrality is also highlighted herein. Finally, another critical component of this chapter is the demographics of the District per local municipality.
- **Chapter 2:** This chapter reports on the performance highlights of the District attained through both the direct and indirect allocations to the constituent local municipalities. Some of the service delivery successes, emanating challenges and remedial measures during the Financial Year under review are highlighted herein.
- **Chapter 3:** This chapter reflect on the programmes and initiatives designed and implemented by Umkhanyakude District municipality to ensure sustained improvements in all its Human Resource Development aspects, such as Skills Development; Employment Equity, capacity building and training to mentioned but a few. In pursuance of the principle of transparency, issues around the remuneration of Councilors and senior managers are also disclosed herein.
- **Chapter 4:** This chapter is constituted of the financial statements of the year under review. Of importance in this chapter is the fact that UMkhanyakude's intention to turn around its administrative challenges especially with regard to financial management. The municipality has the expertise of team provided for by the KZN Finance MEC Honourable Ina Cronje. The team provided support on financial management challenges that the Municipality was facing. There seems to be notable improvements in the way in which the Municipality is complying with the prescripts of the MFMA and this would improve Auditor General's opinion on financial statements. The increased compliance level is also reflected by timely preparation, approval and submission of the IDP, Budget, SDBIP, and PMS.
- **Chapter 5:** Outlines functional service delivery reporting per department
- **Annexures:** Annexure I deals with the performance report; Annexure II deals with audited financial statements and Annexure III contains an annual report for uMhlozinga Development Agency

CHAPTER 2: PERFORMANCE HIGHLIGHTS

INFRASTRUCTURE PROJECTS

The Umkhanyakude District Municipality has been vigorously working towards addressing the needs of the District's communities as been expressed as priority issues through the Integrated Development Plan (IDP). Water and sanitation remained at the top of priority list in terms of the 2009/2010 IDP; as such implementation and focus had to be on responding and addressing those service delivery issues.

It is for that reason water and sanitation related projects became the main focus of implementation. Expenditure on Infrastructure projects for the year under review is portrayed in the graph below. The graph illustrates water, sanitation projects and others, including establishment of sporting complexes, community halls and PMU salaries.



WATER-RELATED PROJECTS

Categorically, water-related projects could include construction of new water schemes, upgrading of water schemes, borehole installation, and extension of water reticulation, installation of water meters, installation of bulk water pipelines and installation of hand pumps.

An amount of R 41,307,702.54 was spent on water-related projects. All but one project (Hluhluwe: CWSS Phase 3 - Reticulation Water Supply) were implemented within what they had been budgeted for. The total expenditure for Hluhluwe: CWSS Phase 3 - Reticulation Water Supply project was R 2,954,256.10; R 654,256.10 more than its initial budget of R 2,300,000.00

PROJECT NAME	BUDGETED (09/10)	TOTAL EXPENDITURE	VARIANCE	REMARKS
Hluhluwe: CWSS Phase 3 - Reticulation Water Supply	R 2,300,000.00	R 2,954,256.10	R 654,256.10	Project speeded up to ensure full commitment of the MIG funding in order to make up for the delayed projects
Phelandaba Water Supply Scheme	R 8,400,000.00	R 548,826.07	-R 7,851,173.93	Project stopped by Council due to power supply problems
Kwangwanase Community Water Supply Phase 3	R 23,100,000.00	R 20,482,633.61	-R 2,617,366.39	Delays in appointment of the main contractor
Ntshongwe/Malobeni Water Supply Project Phase 2	R 2,026,004.00	R 1,281,313.30	-R 744,690.70	Delays in getting Business plan approvals
Ezibayeni Water Supply Phase 2	R 3,200,000.00	R 2,559,276.86	-R 640,723.14	Water source problems which led to the re-drilling of another borehole
Mpophomeni Community Water Supply Scheme Phase 2	R 12,356,239.88	R 8,612,611.94	-R 3,743,627.94	Delays in appointment of the second contractor
Isihlangwini Phase 2 Water Supply	R 2,200,000.00	R 410,775.01	-R 1,789,224.99	Water source has been a problem, as result retention has not been released
Othobothini Water Supply Project (AFA) MIS 167717	R 7,876,483.00	R 4,458,009.65	-R 3,418,473.35	Delays in getting approval for a VO
TOTAL	61,458,726.88	41,307,702.54	-20,151,023.46	Under expenditure – June 2010

SANITATION-RELATED PROJECTS

Sanitation projects include construction of new water sewerage treatment plants, upgrading of existing sewerage treatment plant, extension and/or upgrading of sewer network, storm water drainage, upgrading of bulk water sewerage system, sewer reticulation and construction of VIP toilets.

Regarding sanitation, five (5) projects were initially planned; and three projects were implemented instead. Othobothini Sanitation and Makhathini Sanitation projects had to be halted due to the realization that Phelandaba Phase 2 and Shemula Phase 3 projects' expenditure far exceeded the initial budget by R4, 264,708.96 and R2, 178,815.15 respectively.

Umkhanyakude District Municipality remains committed in implementing these projects for they still remain a priority.

Sanitation-related projects were budgeted a total amount of R19, 640,440.84. A total amount of R22, 361,481.98 was spent on three projects.

PROJECT NAME	BUDGETED (09/10)	TOTAL EXPENDITURE	VARIANCE	REMARKS
Phelandaba Sanitation Project Phase 2	R 7,000,000.00	R 11,264,708.96	R 4,264,708.96	Project speeded up to ensure full commitment of the MIG funding in order to make up for the delayed projects
Othobothini Sanitation Project Phase 2	R 2,000,000.00	R 0.00	-R 2,000,000.00	Project was re-scheduled to start in 2010/11 F/Y due to a water project that had to be implemented first in the same area
Stormwater Drainage and Road Upgrade for Phumlani Village	R 1,340,000.00	R 1,133,957.87	-R 206,042.13	Project implementation started late due to delays in appointment of the main contractor as well as changes in the original scope of work
Shemula Sanitation phase 3	R 7,784,000.00	R 9,962,815.15	R 2,178,815.15	Project speeded up to ensure full commitment of the MIG funding in order to make up for the delayed projects
Makhathini Sanitation Phase2	R 1,516,440.84	R 0.00	-R 1,516,440.84	Project did not start due to non-appointments of the consultants
TOTAL	R19,640,440.84	R22,361,481.98	R2,721,041.14	Over spent – June 2010

ELECTRICITY PROJECTS

There were no electricity-related projects implemented in the financial year under review. This implies that no houses were electrified during that financial year. The supply of electricity remains one of the biggest challenges for the Umkhanyakude District Municipality. The area is vast and is one of the biggest districts in the province. The majority of the population is rural and households are scattered across the countryside adding to the complexities and cost of service delivery.

There are currently large areas that do not have any form of electricity supply and other areas that experience intermittent supply. Progress in the alleviation of the backlog has been hampered in recent times by the countrywide supply crisis that has struck Eskom. Notwithstanding, electricity remains the main issue, second behind water in terms of communities' priority needs.

Therefore, ESKOM as a supplier the bulk of electricity in uMkhanyakude has to build new substations to cater for the demand. ESKOM is being engaged at Portfolio Committee level to enhance services delivery in this regard.

OTHER INFRASTRUCTURE-RELATED PROJECTS

These include construction of community facilities such as sports complexes, community halls etc. Also included there is money put aside for retention. It should be noted that the total expenditure for all projects listed below was well within what they had been budgeted for.

PROJECT NAME	BUDGETED (09/10)	TOTAL EXPENDITURE	VARIANCE	REMARKS
Makhasa Sport Complex	R 10,500,000.00	R 3,239,301.83	-R 7,260,698.17	Delays in appointment of the main contractor because the tendered amounts were above the project budget, which resulted to the scope of works being reduced
Mtubatuba Sports Complex	R 7,500,000.00	R 5,778,662.70	-R 1,721,337.30	Delays in appointment of the main contractor
Enkanyezini B & C	R 21,500,000.00	R 12,093,258.70	-R 9,406,741.30	<ul style="list-style-type: none"> • Delays in appointment of the main contractor • Eskom applications were done twice
Mtubatuba Ward 2 Community Hall	R 1,200,000.00	R 175,781.25	-R 1,024,218.75	Delays in appointment of the main contractor. Project was eventually transferred to Mtuba LM for implementation
PMU SALARIES	R 2,922,832.28	R 1,616,288.44	-R 1,306,543.84	<ul style="list-style-type: none"> • Position of a MIG clerk still not filled. • Resources as per BP not acquired (e.g computers, etc)
TOTAL	43,622,832.28	R 22,903,292.92	-20,719,539.36	Under spent – June 2010

PUBLIC PARTICIPATION

Chapter 4 of the Municipal Systems Act (32 of 2000) makes provision for communities to take part in the affairs of the municipality. The process of public participation at Umkhanyakude District Municipality has had a multi-faceted approach. The District engaged with all five local municipalities, and their respective communities within the District through Integrated Development Planning process that include but not limited to IDP Representative Forums; budget consultation process; IDP Road shows.

Adhering to this process the District conducted five consultative meetings within each local municipality. Through these meetings, communities were exposed to a District Municipal Plan and were encouraged to make inputs not only on the plan, but also on the budget. Three of four IDP Representative Forum meeting were conducted. Of the six IDP Steering committees meeting initially planned; none of them took place. The Municipality has learned a lot and improved immensely on that regard as it would be evident in annual report following the financial year under review.

The IDP Steering committee meetings were scheduled as follows:

DATES
14 July 2008
15 September 2008
17 November 2008
12 January 2009
16 March 2009
25 May 2009

The IDP Representative Forum meetings were scheduled as follows:

DATES
17 September 2008
26 November 2008
22 April 2009
30 June 2009

The focus of IDP road shows for 2009/2010 was on engaging communities in municipal agenda concerning current issues of development. IDP road shows created opportunities whereby communities could interact directly with their mayors on issues that affect them, especially delivery of basic services. Throughout the road shows issues around provision of water and sanitation were raised by members of various communities.

In an effort to enhance public participation, a special secretarial team was created to do interviews around service delivery issues. This was done mainly because not everyone could have

had a chance to raise their concerns to the honorable Mayor due to, among others, time constraints. Through the assistance of the secretarial team, the IDP/PMS Unit recorded all issues/concerns raised by communities. This assisted the unit towards the review of the IDP. During the IDP Road show

Five road shows were held as per schedule on five local municipalities. The purpose of staging the District-wide IDP Road shows was to create an environment whereby a broader community is reached in each local municipality. Furthermore, this process enabled members of the community to interact directly with their Mayors on issues regarding service delivery.

The schedule for IDP road shows for 2009/2010 was as follows:

Date	Municipality	Venue
22 November 2009	Mtubatuba	Kwa-Msane
28 November 2009	Umhlabuyalingana	Manguzi Sports Ground
29 November 2009	The Big 5 False Bay	Nibela-Qomukuphila Primary School
05 December 2009	Hlabisa	Mdletsheni- Engodini
06 December 2009	Jozini	Msiyane Sports Ground

A total amount of R2, 148, 791 was spent on the IDP road shows by the District. At certain instances municipalities covered some extra costs. The total expenditure covered items such as transportation of communities to the events, catering, advertising etc.

Municipality	Total Expenditure
KZ 273	R 352,544
KZ 275	R 405,317
KZ 271	R 416,427
KZ 272	R 430,877
KZ 274	R 543,627
TOTAL	R 2,148,791

DISASTER MANAGEMENT



The Umkhanyakude Disaster Management Plan has been developed by Rural Metro. All but one phase of the plan have been completed. The only phase left concerns filling in the details of stakeholders.

An amount of R2, 500 000 was secured from the Department of Co-operative Governance and Traditional Affairs facilitated by PDMC. Such an amount was therefore deposited to Umkhanyakude District Municipality account in March 2010.

An advert has been drafted for qualified engineers who are going to draw the plan, formulate tender documents and be project managers of the project. The process is now with Supply Chain for publishing.

Even though there is a Disaster Management Advisory Forum; it is not functioning well due to absenteeism. Frequent introduction of new members at each meeting makes it difficult to approve the minutes of the past meetings; hence there is lack of continuity.

There were no major incidents in the year under review, with the exception of storms that ravaged Jozini and surrounding areas in northern KwaZulu-Natal on Friday the 4th of December 2009. The Umkhanyakude District Municipality through COGTA-KZN responded swiftly to the incident. Temporal shelter was provided to 250 affected homes. That was accompanied by food parcels and blankets.

In the year under review the District Municipality embarked on a Disaster Management awareness campaign. All five municipalities and the District were represented by their respective political and administrative structures. Rural metro, South African Police Services (SAPS) and other stakeholders formed part of the awareness campaign. Roadblocks were conducted led by the SAPS and Mayors of the municipalities within the District, teaching and informing people about all forms of disasters that could happen in the District and how to avoid and/or deal with such disaster.

THE FIFA WORLD CUP 2010 LEGACY PROGRAMME

It is now history that South Africa hosted what was considered the best FIFA World Cup soccer event in the history of the organization (FIFA). UMkhanyakude District Municipality District Municipality is one of the municipal areas that couldn't play any direct role insofar as the hosting of the 2010 FIFA World Cup tournament. This being the case, the District Municipality opted for the idea of affording local communities with an opportunity to share in the tournament's festivities through the development of Public Viewing Spaces.

The aim was to make a lasting impression that could form part of the District Municipality's 2010 FIFA World Cup legacy programme.

In its efforts to expose local communities to the FIFA Soccer World Cup hype; Umkhanyakude District Municipality took a giant step forward in the coordination and implementation of Kwa-Msane Public Viewing Space. The District Managed to secure financial and technical support from cell-phone giant MTN through SANRAL amounting to R3000000.00 for the development and maintenance of the kwa-Msane PVS for the period of three years.

Following an approval by EXCO to outsource an amount not exceeding R15000.00 for material and labour, connection of electricity at the Kwa-Msane Sports-field as

part of the Public Viewing Space development programme for the Municipality was conducted.



The Kwa-Msane Public Viewing Space operated as a hub of 2010 FIFA World Cup activity for Umkhanyakude District. Entrance to the site was free and matches were beamed live on big screen TV. Even after the World Cup had ended, communities continue to converge to the Kwa-Msane Public Viewing Space to watch local soccer. Communities can now even watch national or provincial events, such as "State of the nation address" on the PVS.

ARTS AND CULTURE

UMKHANYAKUDE DISTRICT MUNICIPALITY SIYAY'SHAY'INGOMA

The area of Umkhanyakude District and its people is endowed with rich heritage and culture. This includes things such as poetry; sculpturing and various others must see attractions. Of particular to this proposal is the idea to stage an Umkhanyakude Siyay'ishay'ingoma event to coincide with the Day of Reconciliation (16 December).

The event was held on the 16th of December and it showcased the four (4) most popular genres of traditional dances which are:

- Isigekle;
- Isishameni sezintombi;
- Isishameni sezinsizwa; and
- Indlamu.

Hosting of the event circulates among five local municipalities within the District; and the 2009 event was hosted by The Big Five False Bay Municipality at KwaMduku just behind Makhasa Hall.

38 groups from all five local municipalities participated in various genres, as mentioned above. R109 000 was budgeted for the event, which covered among others prices for the eventual winners. A total of R90 458.75 was used, therefore R19 041.25 was saved.

Prices for the winners were in the form of livestock (cows and sheep) and also money.

HIV/AIDS COORDINATION

Umkhanyakude District Municipality could not review its HIV/ Aids strategy, and such efforts were also impeded by a sudden resignation of an HIV/AIDS Coordinator. Notwithstanding, the District has a functional District Aids Council (DAC). The DAC constitutes of the following members: 5 Local Municipalities and the District Municipality, Government Departments, Civil Society, Private Health sector and the Traditional leaders. Even though funding for HIV/ AIDS remains a challenge; HIV/AIDS coordination was budgeted an amount of R2, 000, 000.00.

The District also launched an HIV/AIDS Community Programme. The HIV/AIDS Programme aimed at intensifying community education regarding HIV/AIDS by among others utilizing volunteers to disseminate information on how to prevent the spread of HIV/AIDS, how to take care of people living with HIV/AIDS and how to live positively.

As a way forward and in order to sustain the program the District needs to fill the vacant post of an HIV/AIDS coordinator. There should also be fulltime coordinators at local municipalities for hand-on and monitoring of the program. R1, 000, 000.00 was set aside for HIV/AIDS intervention in the financial year under review.

WOMEN, CHILDREN, SENIOR CITIZENS AND PEOPLE WITH DISABILITY

Umkhanyakude District is committed in addressing the plight of the vulnerable, i.e. children, women, and people with disability. There are two full time coordinators at the employ of the municipality, one's focus is on women and children and the other, people with disabilities. Due to financial constraints, not all programmes earmarked for these people materialized. There is therefore a need for the District Municipality to engage and liaise with Provincial and National spheres of government for the implementation of programmes directed to these people.

WOMEN'S DAY CELEBRATION EVENT

Umkhanyakude district Municipality organized a women's day event hosted by Hlabisa Municipality on the 6th of September 2009. The theme and the purpose of the event was "UKUZAKHA NOKUZENZELA", whereby local women were encouraged to do things for themselves; to advise and alert communities about the services that the Umkhanyakude District family of municipality render to women; and to encourage Umkhanyakude women to take a stand in political leadership

The event was championed by Cllr. T.P. Madlopha (Jozini Municipality Mayor) and Cllr. Nhleko. Umkhanyakude District Municipality through the community portfolio committee approved R260, 000.00 for staging of the event.

SENIOR CITIZENS' DAY CELEBRATION

Senior Citizens' Day is celebrated annually at Umkhanyakude District Municipality. This day serves as an awareness day that promotes the importance of senior citizen in the families. Jozini Municipality played host to this annual event, and the event was held at Bhambanana Sports-field. The theme for the day was "SENIOR CITIZENS HAVE RIGHTS TOO". The message for the day was:

- Spend some time with the senior citizens;
- Show appreciation to senior citizens;
- Do volunteer work in support of the elderly;
- Assist care givers of senior citizens.

Various stakeholders, such as EMRS, DoH, DoS&R and Rural Metro contributed towards the success of the event. Through the Department of Health for instance; eye and BP screening, and physiotherapy were provided to the elderly.



The Department of Sports and Recreation organized some games such as rombas, ropes upon which the elderly participated. Food parcels were given to the elderly. In terms of the Service Delivery Budget and Implementation Plan for Community Services Department; the event was allocated R390, 000.00. The District Municipality overspent that amount by R42, 279. 20. Hence the total amount spent was R423, 279. 20.

SPORTS AND RECREATION

Umkhanyakude District Municipality has contributed immensely to sports and recreation in the District. The District's contribution has been two-folds; on one hand through the implementation of sports and recreation infrastructure projects (e.g. Makhasa and Mtubatuba Sports complexes) at the local municipalities; and on the other hand through hosting of mayoral games, whereby selected youths for various sports codes go on and represent Umkhanyakude District Municipality at annually-conducted KWANALOGA Games. Sport and recreation was provided with R2, 000,000.00 for the financial year under review.

The games were a success and provided a platform for Umkhanyakude youth to showcase their skills in different sport codes. It is worth noting that the provincial netball team is composed of mostly, players from Umkhanyakude whom have also been the champions for the past two years (2008 and 2009). A local soccer player who was part of the soccer team that played and lost the semi-final has since been signed to play professional football with one of the oldest and big teams in South African soccer, AMAZULU F.C.

ECONOMIC DEVELOPMENT

LOCAL ECONOMIC DEVELOPMENT AND TOURISM

Umkhanyakude District Municipality has its own functional economic development agency called Umhlosinga Development Agency (UMDA). The agency was established in 2006 with financial assistance from the Industrial Development Corporation. The UMDA functions as a Local Economic Development Agency (LEDA) growth and development in the District. The agency is a dedicated entity responsible for the planning and implementation of a program of sustainable economic that acts as an agent, for and on behalf of the Umkhanyakude District Municipality, for the purposes of implementing an integrated and sustainable program of economic development in the municipality.

The UMDA moved into 1st Operational phase in 2009 and established five economic intervention Programs that talk to the IDP i.e. 1) Agribusiness, 2) Tourism, 3) Industry, 4) Property Development, and 5) Business Support and Development. UMDA has identified two Lead projects that would have long term benefits to the District Economic growth and Development. Those projects are:

- 1) The Mkuze Regional, and
- 2) The Jozini Hydro.

For more information on Umhlosinga Development Agency, refer to Annexure III.

INTRODUCTION OF DEVELOPMENT PLANNING SHARED SERVICE (DPSS) UNIT

One of the major service delivery achievement in the area of development planning & management to report about in the performance period under review is the successfully signing of the Memorandum of Agreement (MoA) for establishment and implementation of the “*The Development Planning Shared Services*” (DPSS) Initiative” for the Umkhanyakude Family of Municipalities. In specific terms, the DPSS (as normally referred to) is a newly created component to form part of the District’s Organizational structure tasked with the huge responsibility of performing a range of development planning functions within the entire district geographical area.

As mentioned above DPSS was formed through a Memorandum of Agreement entered into between the Umkhanyakude Family of Municipalities (i.e. Umkhanyakude DM, Big 5 False Bay, Mtubatuba, Jozini, Hlabisa & Umhlabuyalingana Municipalities) and the KwaZulu Natal Provincial Department of Cooperative Governance and Traditional Affairs (COGTA) on the basis of a detailed business plan which provides the framework and content within which the DPSS is intended to operate within the Umkhanyakude District municipal area. Of importance to note also is that, the DPSS initiative is a provincial-wide phenomenon conceptualized by Provincial COGTA, but implemented jointly with all 10 KZN District families of municipalities.

In terms of the Business Plan and MOA, the DPSS is jointly funded by the KZN Provincial COGTA and the six participating municipalities in Umkhanyakude family on a contribution basis following a particular model. The funding strategy states that COGTA will fund the DPSS over four years on sliding scale of 75%, 50%, 25% & 0% contributions.

For the participating Municipalities the strategy is that, they will collectively fund the DPSS over the Four year period on an ascending scale of 25%, 50% and 75% and 100% contributions respectively. What this really means is that after four years the Umkhayakude Family of Municipalities should have developed in such a way that it would have both management and financial capacity to sustain and further grow Development Planning function as part of their institutional arrangements. **For in-depth Key Performance Area and achievements as at 30 June 2010 for this unit, refer to Chapter 5 in this document**

For the Period under review the following statistics in worth mentioning regarding the Development Applications within DC27:

FINANCIAL PERFORMANCE

The comparison of the Municipality's actual financial performance with that budgeted is set out in below

Description	Original Budget	Budget Adjustment	Final	Actual outcome	Unauthorized Expenditure	Variance	Actual Outcome as % of final budget	Actual Outcome as % of original budget
Financial Performance								
Property Rates				744 448		744 448	-100	-100
Service Charges	45 393 241	42 439 555	42 439 555	31 614 377		10 825 178	74	70
Investment Revenue	658 750	1 339 472	1 339 472	809 458		503 014	60	123
Transfers recognize-operational	108 174 927	147 424 927	147 424 927	187 364 030		39 939 103	127	173
Other own revenue	267 024	1 285 048	1 285 048	581 604		581 604	55	263
Total revenue (Exc. Capital transfer & contribution)	154 493 942	192 489 002	192 489 002	28 746 755		(28 746 755)		
Employee costs	58 732 035	57 202 605	57 202 605	7 663 507		7 663 507	87	84
Remuneration for councilors	4 758 650	2 428 090	2 428 090	(270 556)		270 556	111	57
Debt impairment	5 000 000	5 480 782	5 480 782	(31 618 045)		31 618 045	677	742
Depreciation & Asset impairment	1 000 000	3 857 812	3 857 812	(44 134 088)		44 134 088	1,244	4,799
Finance charges	2 865 201	3 050 468	3 050 468	1 041 235		1 041 235	64	68
Material & Bulk purchases	19 393 290	39 657 190	39 657 190	(12 570 267)		12 570 267	132	269
Transfers & grants		1 175 223	1 175 223	(3 501 432)		3 501 432	398	
Other expenditure	59 088 797	77 824 543	77 824 543	34 174 880		34 174 880	56	74
	150 837 973	190 676 713	190 676 713	49 214 766		49 214 766		
Surplus/(Deficit)	3 655 969	1 812 289	1 812 289					
Transfer recognized-capital	3 600 000	1 812 289	1 812 289					
Contribution recognized-capital & contributed assets								
Surplus/(Deficit) after transfers & contributions	55 969	-	-					

CHAPTER 3: HUMAN RESOURCE & ORGANIZATION MANAGEMENT

ORGANIZATIONAL STRUCTURE

The UMkhanyakude District Municipality's organizational structure comprises of the following five (5) departments under the office of the Municipal Manager:

- Corporate Services Department
- Financial Services Department
- Technical Services Department
- Social, Planning and Economic Development (SED) Department
- Community Services Department

The Municipal Manager's office holds the accountability and responsibility for the effective and sound financial administration of the Municipality. It also provides executive support to the political structure through administration of special programmes: Youth Development; Gender & Women Empowerment; capacity building and support to Local Municipalities.

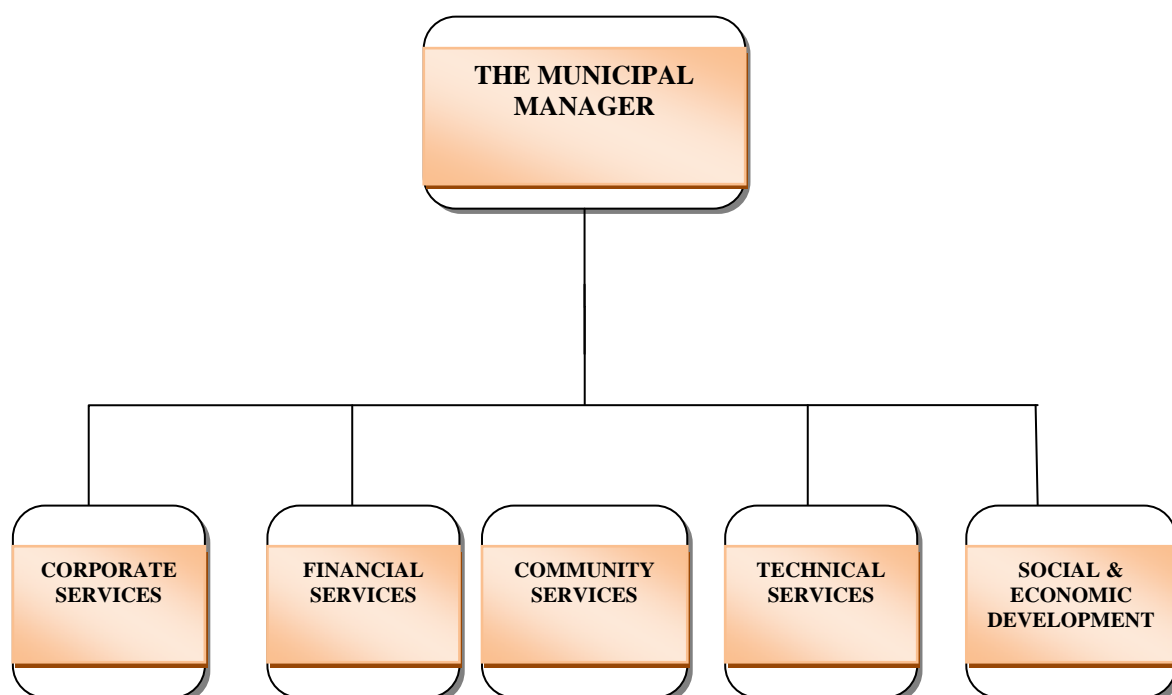
The total number of staff employed in each of the five departments on the organizational structure is as follows:

DEPARTMENTS	NUMBER OF EMPLOYEES
Office of the Municipal Manager	10
Corporate Services	33
Finance Services	40
Technical Services	163
Dept. of Social & Economic Development	12
Community Services	14
TOTAL	272

EMPLOYEE-RELATED COST

The table below depicts the expenditure for salaries in comparison with the total salary budget for the period of three financial years up to 2009/2010:

Details	2007/2008	2008/2009	2009/2010
Salary Budget	34 474 983	52 181 686	63 490 685
Actual Total Expenditure	33 076 379	46 754 936	50 874 550
Variance	1 398 604	5 426 750	12 616 135

ORGANOGRAM**TOP MANAGEMNET**

FUNCTIONS AND KEY PERFORMANCE AREAS PER DEPARTMENT

The duties and responsibilities of each department, including the office of the Municipal Manager are presented below:

DC COUNCIL				
EXECUTIVE COMMITTEE				
OFFICE OF THE MAYOR				
OFFICE OF THE MUNICIPAL MANAGER				
Strategic Programme; Integrated Development Planning; Performance Management Communication & Marketing and Spatial Development Planning				
CORPORATE SERVICES	COMMUNITY SERVICES	FINANCIAL SERVICES	TECHNICAL SERVICES	SOCIAL & ECONOMIC SERVICES
Administration and Secretariat	Social Development	Supply Chain Management	Infrastructure Development	Local Economic Development
Human Resource Management	Sports, Culture & Recreation	Revenue	Water and Sanitation	Tourism Development
Legal Services	Youth and Disability desks	Grants and Expenditure	Water Quality Management	
Cleaning & Security Services	Disaster Management	Budget and financial reporting	Project Financial Control	
IT Services	Municipal Health and Environmental Services	Administration support	Electricity services	
Fleet Control Management	HIV/AIDS	Assets Management		

MUNICIPAL VISION & MISSION

Vision

“To meet basic needs and improve quality of the community in a democratic and sustainable manner”

Mission

“To deliver basic services to its people, support local municipalities to become viable; and good governance”; guided by the following core values:

Integrity; Equity; Transparency; Team work; Respect; Accountability; and Peace.

EMPLOYER/EMPLOYEE RELATIONS

Umkhanyakude District Municipality and organized labour generally continued engaging on labour relations and/or employer/employee issues during the period under review.

The labour Forum has been tasked with specific responsibilities such as to consult and negotiate on all matters affecting employees. Such a process has been handled through scheduled Local labour Forum meetings and is operating very well and consensus-driven.

Corporate Department also provides services such as:

- Procedures on handling of processes coming from collective agreement; and
- Performance and incapacity-related matters

With regards to disciplinary matters and disputes; such issues are dealt with through a detailed collective agreement on grievance procedures and disciplinary procedures.

DISCLOSURE CONCERNING COUNCILORS AND SENIOR OFFICIALS

The councilor EXCO members' remuneration in the financial year under review was as follows:

DETAILS	UIF	PENSION	MEDICAL AID	TOTAL AMOUNT
MAYOR	1,497.36	53,301.40	-	772,564.63
DEPUTY MAYOR	1,497.36	42,641.14	-	553,576.38
SPEAKER	1,497.36	40,445.84	-	519,272.07
EXCO 1	1,497.36	37,722.08	17,578.80	478,722.92
EXCO 2	1,497.36	25,360.12	-	331,959.43
EXCO 3	1,497.36	25,556.04	-	337,320.28
TOTAL	19,633.08	336,617.38	-	4,574,615.08

The above figures are inclusive of all the benefits and allowances such as cell/telephone allowance, travel claims and other allowances.

Additional benefits for Councilors

EXCO members are full time and therefore provided with secretariat support (in case of the Mayor) and office accommodation (EXCO members are chairpersons of the Portfolio committees, as such have offices within the premises of the municipality). The Mayor's office is also within the premises of the municipality.

The cost to the Council of Section 57 employees

Senior officials were remunerated in terms of agreements signed with them. There were no performance bonuses paid to any Section 57 employee. That could be attributed to the absence of a Performance Management System at the time, which meant performance evaluation could not have happened. It should be noted that signed performance agreements and performance management systems are the main basis for determining performance bonuses.

The remuneration of Section 57 in the financial year under review was as follows:

	BASIC SALARY	TOTAL REMUNERATION
The Municipal Manager	R582, 782.58	R792, 053.02
Chief Financial Officer	R558, 949.04	R1, 025, 823.76
Executive Director (Corporate Services)	R555, 918.58	R871, 723.50
Executive Director (Technical Services)	R289, 321.97	R489, 434.59
Executive Director (Community Services)	Post vacant	-
Executive Director (SED Services)	R454, 196.16	R1, 070, 595.72
TOTAL	R2, 151, 846.36	R3, 377, 917.09

The total remuneration for Section 57 is inclusive of:

- Salary;
- Travel allowance;
- Housing allowance; and other benefits.

EMPLOYMENT EQUITY PROFILE

The following Umkhanyakude District Municipality's Employment Equity Profile reflected the nature of appointments in different occupational levels:

UMKHANYAKUDE DISTRICT MUNICIPALITY EMPLOYMENT EQUITY PROFILE-OCCUPATION LEVELS EMPLOYMENT EQUITY (RACE AND GENDER) BY JUNE 2010											
OCCUPATIONAL LEVELS	MALES				FEMALES				FOREIGN NATIONALS		TOTAL
	A	C	I	W	A	C	I	W	MALES	FEMALES	
Top management	16	-	-	01	05	-	-	01	-	-	23
Senior management	10	-	-	-	04	-	-	-	-	-	14
Professionally qualified and experienced specialists and mid-management	25	-	-	-	-	-	-	-	-	-	25
Skilled technical and academically qualified workers, junior management, supervisors, foremen, and superintendents	26	-	-	-	20	-	-	-	-	-	46
Semi-skilled and discretionary decision making	20	-	-	-	18	-	-	-	-	-	38
Unskilled & defined decision making	110	-	-	-	17	-	-	-	-	-	127
Temporary employees	47	-	-	-	08	-	-	-	-	-	55
Total Permanent	207	-	-	-	64	01	-	-	-	-	272
GRAND TOTAL	295	-	-	01	64	01	-	01	-	-	378

LEVELS OF EDUCATION AMONG STAFF IN THE YEAR UNDER REVIEW

EMPLOYEE CATEGORY	NQF L1	NQF L2	NQF L3	NQF L4	NQF L5	NQF L6	NQF L7	NQF L8
Directors and Corporate Managers	-	-	-	-	-	03	08	-
Professionals	-	-	-	03	-	18	06	-
Technicians and Trade workers	03	04	04	01	01	06	-	-
Community and personal services workers	-	-	-	-	03	08	02	-
Clerical and administration workers	07	-	01	08	27	34	07	-
Machine operators and drivers	126	04	09	-	-	-	-	-
Labourers	78	14	09	-	-	-	-	-
TOTAL	214	22	23	12	31	69	23	-

PENSIONS AND MEDICAL AID FUNDS AND FUTURE RISKS

All employees were provided with pension fund and medical aid of their choosing. In terms of Pension Fund; employees had an option to choose between the Natal Joint Pension/Provident Fund and Government employees Fund. There were also five options upon which employees have to choose from with regard to the medical aid: The list of the Pension Funds and the Medical Aids in the financial year under review was as follows:

PENSION FUND	MEDICAL AID	FUTURE RISKS
<ul style="list-style-type: none"> ➤ Natal Joint Municipal Pension/Provident fund; and ➤ Government Employees pension fund 	<ul style="list-style-type: none"> ➤ Bonitas ➤ LA Health ➤ Hosmed ➤ Samwumed ➤ Key Health 	<ul style="list-style-type: none"> ➤ Prolonged illness of employees; ➤ High death rate of employees

CHAPTER 4: CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2010

Audited Annual Financial Statements are presented as Annexure II

CHAPTER 5: FUNCTIONAL SERVICE DELIVERY REPORTING

5.1. MUNICIPALITY'S KEY PERFORMANCE AREAS

Umkhanyakude OPMS is guided by the following key performance areas:

KPA 1: Good governance and Community Participation

- Functional community participation mechanisms and ward committees

KPA 2: Basic Service delivery and Infrastructure Investment

- Universal access to quality, affordable and reliable municipal services and regular infrastructure investment

KPA 3: Local economic development

- Thriving and vibrant local economy and neighborhoods

KPA 4: Municipal Transformation and Institutional development

- Effective and efficient Human Resources Management Services

KPA 5: Financial Viability and Management

- Sound financial management systems

KPA 6: Spatial Planning and Environmental Management

- Efficient space economy and clean, safe and healthy environment for the District

KPA 7: Social Development

- Social cohesion and improving the livelihoods of the poor and vulnerable groups

The strategic objectives of the Umkhanyakude District Municipality are informed by the above-mentioned Key Performance Areas (KPA's). It is upon these strategic objectives that specific strategies are formulated.

The Umkhanyakude District Municipality strategic objectives are illustrated below:

Good Governance and Community Participation	Key Performance Objective	Strategy
	To ensure and improve public participation in municipal processes	Community mobilisation
	To ensure alignment between National, Provincial, Local Government and Public Entities	Staging of IDP RF meetings
		Facilitation of IDP SC meetings
		Facilitation of IDP Planners Forum meetings
		Facilitation of Council meetings
		Facilitation of ExCo meetings
		Facilitation of Mayoral Coordinating Forum
		Facilitation of Municipal Managers' Forum
	To build sustainable partnerships with Traditional Authorities	Attendance of meetings to discuss issues of development
	Prevention of corruption	Development of anti-corruption strategy to address prevention, detection and awareness/communication
	To Formulate, Implement and Review Policies, Procedures and Bylaws	Review existing policies, procedures and by-laws; & To implement <i>Batho Pele</i> customer services principles
	To ensure and improve public participation in municipal processes	Community mobilisation

Basic Service Delivery & Infrastructure Investment	Key Performance Objective	Strategy
	To provide access to Water, Sanitation and Electricity	To provide households with access to basic water
		New water connections
		To provide households with access to basic sanitation
		New sanitation connections
		To provide households with access to electricity
		New electrical connections
		To provide households with access to free basic water
		To provide households with access to free basic sanitation
		To provide households with access to free electricity
	To avoid deterioration of existing infrastructure network	Adherence to operations and maintenance plan

Local Economic Development	Key Performance Objective	Strategy
	To create a sustainable and enabling environment for economic growth and development	Establish the comparative and competitive advantages for the district.
		Handover of LED implements to the identified local beneficiaries
		Development of the Film Industry as a niche economic driver
	Provision of operational support to the Development Agency	Approved Service Level Agreement between the District Municipality and uMhloosini Development Agency
	To operationalise LED Forum	Facilitate LED Forum meetings
	To enhance tourism development	Ensure effective functioning of the Tourism Information Centre

Municipal Transformation and Institutional Development	Key Performance Objective	Strategy
	To provide effective and efficient Human Resources Management Services	Approved organogram
		Annual Approved Workplace Skills Plan
		Development of Human Resources Strategy
		To implement a Customer Satisfaction Programme
		Filling of all vacant posts
		Learnership Programme for Learners
		Review all Job Descriptions
		Bursaries awarded to qualifying applicants (Internally)
		Development of the Equity Plan
		Develop and implement a workplace skills audit plan
	To ensure effective and efficient IT System	– Integration of IT financial systems introduced and operationalised (cross cutting issue IT, GIS/DIMS/MIS/Payroll and Web Site)
	To ensure Integrated Development Plan	IDP Review
	Compliance with PMS	Implementation of PMS
	To review the ESDP	Approval of the ESDP
	To finalise the Water Services Development Plan	Approval of the WSDP

Financial Viability and Management	Key Performance Objective	Strategy
	Budget Management	To ensure proper and sufficient budgeting in line with IDP To ensure responsible spending of budget.
	Revenue / Credit Control Management	To ensure accurate billing of all consumers of the municipality To ensure prompt collection of all funds due to the municipality
	Expenditure & Grants Management	To ensure cash backing of grants To ensure that grants are spent as per the agreement between the municipality and sponsor To ensure that expenditure reports are prepared and submitted to the MM, the sponsors, PT,NT and any other relevant stake holders To ensure that salaries are paid to legitimate employees Elimination of salary/allowances over payment
	Supply Chain Management	To ensure that goods/services of the municipality are procured in an efficient economical, fair and equitable manner, from reputable suppliers To ensure development and promoting of SMMEs
	Financial Accounting and Reporting	To ensure accurate and timeous reporting of the financial affairs of the municipality To achieve consolidated AFS in GAMAP/GRAP format

Spatial Planning and Environmental Management	Key Performance Objective	Strategy
	To review the Spatial Development Framework of the District Municipality	Consultations with LMs by Development Planning Shared Services on SDF review
	To Comply with KZN Provincial Planning and Development Act	Comments on development planning applications
	Functional Geographic Information Management System	Setting up a District-wide digital information hub Establishment of District-wide spatial database
	To Develop a District-wide Environmental Management Framework	To engage LMs, CogTA and National Department of Environmental Affairs on the development of EMF
	To Comply with National Environmental Management Act	To provide comments on environmental management applications

Social Development	Key Performance Objective	Strategy
	To support initiatives aimed at ensuring peace and safety of communities	Participation at meetings aimed at combating crime
		Operational disaster management centre
	To Improve the livelihoods of the poor, vulnerable groups and support initiatives to reduce vulnerability of infectious diseases	Staging of the HIV/AIDS Symposium
		Facilitating District AIDS Council meetings
	To contribute towards the alleviation of poverty and to ensure food security.	Handing over of poverty alleviation projects to beneficiaries
	Empowerment of people with disabilities	Ensuring learnership programme for people with disabilities
	Empowerment of vulnerable groups	Staging of District Senior Citizens Day
		Children Day Jamboree
		Awareness campaign on violence against women

CORE DEPARTMENTAL KEY PERFORMANCE AREAS

The core departmental Key performance Areas and actual performance of the departments during the year under review is outlined below:

OFFICE OF THE MUNICIPAL MANAGER

KPA: STRATEGIC PLANNING	
Key Performance Indicator	Actual performance in the year under review
Integrated Development Planning	The IDP was adopted and submitted within the timeframe
Performance Management	An IDP-linked PMS was developed, and S57 Performance agreements were signed.
Communication & Marketing	The District Municipality developed a newsletter published quarterly
Spatial Development Planning	
Annual Report	Prepared and submitted the 2008/2009 Annual Report. The report was not credible, as such steps were taken to ensure that 2009/2010 Annual Report is credible and a true reflection of the activities within Umkhanyakude District Municipality.
Auditing	Three (3) audit committee meetings were held. Two oversight committee meetings were held.

CORPORATE SERVICES DEPARTMENT

Key activities for corporate department have been outlined in Chapter 3 (Human Resource and Organizational Management) in this document.

TECHNICAL SERVICES DEPARTMENT

Key activities for Technical Service Department have been outlined in Chapter 2 (Performance and Highlights) in this document.

FINANCIAL SERVICES DEPARTMENT

KPA: FINANCIAL SERVICES	
Key Performance Indicator	Actual performance in the year under review
Approved Budget	Budget for the FY under review has been approved and adopted by the Council.
Annual Financial Statements	Annual Financial Statements completed, even though they were submitted late.
Financial Viability	An IDP-aligned budget was compiled

COMMUNITY SERVICES DEPARTMENT

KPA: COMMUNITY SERVICES	
Key Performance Indicator	Actual performance in the year under review
Disaster Management	Disaster Management programmes were undertaken as demonstrated in Chapter 2 of this report
Gender programme	Gender programmes were undertaken as demonstrated in Chapter 2 of this report
Youth programme	Youth programmes were undertaken as demonstrated in Chapter 2 of this report
HIV/AIDS programme	The District participated in HIV/AIDS awareness event as demonstrated in Chapter 2 of this report.
Sports & Recreation	The District participated in an annual KWANALOGA games as demonstrated in chapter 2 of this report.
Arts & Culture	The District held an annual Arts & culture event as demonstrated in Chapter 2 of this report

SOCIAL AND ECONOMIC SERVICES DEPARTMENT (SED)

KPA: ECONOMIC DEVELOPMENT AND TOURISM	
Key Performance Indicator	Actual performance in the year under review
Local economic Development Promotion	Initiated the process of reviewing LED strategy
Job creation	Created jobs through LED and Tourism programmes

DEVELOPMENT PLANNING SHARED SERVICES UNIT (DPSS)

KPA: STRATEGIC & SPATIAL PLANNING	
Key Performance Indicator	Actual performance in the year under review
Spatial Planning	Ensured that DPSS was functional in all participating LMs; Ensured a functional District-wide Development Planning Forum; Assisted in the Formulation of Delegations for the participating LMs; Begun the process to determine the status and quality of SDFs and LUMS in terms of Compliance within the Family
Municipal Strategic Planning / Integrated Development Planning (IDP)	Assisted with the timeous development, implementation and adoption of IDP Process Plans & District Framework Plans; Assisted with timeous IDP & Budget Alignment; Assisted participating municipalities with the review of the IDPs in terms of the MSA requirements; Assisted participating Municipalities with the implementation of the Provincial IDP Management Plan; Assisted in ensuring that Alignment of IDPs and Sector Plans is taking place at a family level; Ensured the existence and functioning of an active IDP Stakeholder's
Development Administration	Facilitated and Participated in workshops and training sessions where PDA is introduced with various role-players for implementation; Developed a PDA Implementation Plan for the DC27; Setting of Pro-forma Application Forms for different sections of the PDA. Assisted in the Formulation of Delegations and Structures Fees for the participating LMs.
Performance Management System (PMS)	Commenced with the Review of OPMS in all Municipalities; Provided ongoing support in the development of individual, Departmental and Municipal Scorecards; Worked with PMS Officers (where applicable) in preparation and submission of the Quarterly and Annual PMS Reports (Section 46 reports) to COGTA; Assisted with the monitoring of the implementation of Individual and OPMS in each municipality; Assisted in addressing comments from the Auditor-General (AG)
Information Management and Systems Development	Completed an assessment of GIS Hardware and Software status in participating municipalities and their associated connectivity; Formulated a Training plan and programme to develop capacity of planning staff to gain; Commenced setting-up an information

KPA: STRATEGIC & SPATIAL PLANNING	
Key Performance Indicator	Actual performance in the year under review
	and GIS “Hub” in a family to provide information to all participating LMs on Planners desks; Commenced with the establishment of a spatial database in the municipality; Commenced with setting up and maintenance of automated back-up system; Set-up and maintain customer service centre for GIS related information (serving both public and private sector information needs)
Spatial Planning	Ensured that DPSS was functional in all participating LMs; Ensured a functional District-wide Development Planning Forum; Assisted in the Formulation of Delegations for the participating LMs; Begun the process to determine the status and quality of SDFs and LUMS in terms of Compliance within the Family

ANNEXURES

ANNEXURE I: Performance Report for Umkhanyakude District Municipality

ANNEXURE II: Audited Annual Financial Statements

ANNEXURE III: uMhlosinga Development Agency (Pty) Ltd

UMKHANYAKUDE DISTRICT MUNICIPALITY ORGANISATIONAL SCORECARD 2009/2010																						
National KPA	Strategic Objective	Measurable Objective/Output	Performance Measure / Indicator (Unit of Measure)	2008/2009		2009/2010												Responsibility	Planned Measures for Improvement	Source of Information		
						Q1 & Q2 Performance				1/2 Yearly Performance Report		Q3 & Q4 Performance				Annual Performance Report						
				Target	Actual	Target	Q1	Actual	Q1	Target	Q2	Actual	Q2	Target	Actual	Target	Q3				Actual	Q3
Good Governance and Community Participation	To ensure and improve public participation in municipal processes	Community mobilisation	Number of IDP/Budget consultative meetings	5	5	0	0	0	0	0	0	0	0	0	0	5	4	5	4	Office of the MM	Office of the Municipal Manager to ensure buy-in from all municipalities during planning stages for consultative meetings	Attendance Register
			Member of IDP Roadshows	5	5	0	0	5	5	5	5	0	0	0	0	5	5	Office of the MM		Attendance Register		
	To ensure alignment between National, Provincial, Local Government and Public Entities	IDP Representative Forum	Number of meetings	4	3	1	1	1	1	1	2	2	1	0	1	1	4	3	Office of the MM		Attendance Register	
		IDP Steering Committee meetings	Number of meetings	6	4	2		1			3	0	2		1		6	0	Office of the MM		Attendance Register	
		Planners Forum meetings	Number of meetings	6	7	1	1	1	1	1	2	2	2	3	1	2	5	7	Office of the MM		Attendance Register	
		CFO Forum meetings	Number of meetings	6							0	0					0	0	Finance Department		Attendance Register	
		Council meetings	Number of meetings	4		1		1			2	0	2		1		5	0	Corporate Services		Attendance Register	
		Exco meetings held	Number of meetings	12		3		3			6	0	3		3		12	0	Corporate Services		Attendance Register	
		Municipal Managers' Forum meetings	Number of meetings	6							0	0					0	0	Office of the MM		Attendance Register	
		Mayoral Coordination Forum meetings	Number of meetings	6							0	0					0	0	Office of the MM		Attendance Register	
Basic Service Delivery and Infrastructure Development	To provide access to Water, Sanitation and Electricity	Households with access to basic water	Number of households	3480	3480	930	300	930	1560	1860	1860	930	0	930	1860	3720	3720	Technical Services	fast track planning of projects			
		New water connections	Number of households	0	374	0	65	0	87	0	152	0	157	0	65	0	374	Technical Services	Connections done as and when applications are made			
			Number of new connections for low income housing projects	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	Technical Services	No new low-cost housing projects done		
		Households with access to basic sanitation	Number of households	2619	3950	570	200	570	770	1140	970	570	777	573	536	2283	2283	Technical Services				
		New sanitation connections	Number of new connections	0	6	0	1	0	2	0	3	0	2	0	1	0	6	Technical Services	Connections done as and when applications are made			
			Number of new connections for low income housing projects								0	0					0	0	Technical Services			
		Households with access to electricity	Number of households	76695	76695	0	0	0	0	0	0	0	0	0	0	0	0	0	Technical Services			
		New electrical connections	Number of new connections	914	0	912	0	912	0	1824	0	912	25	911	80	3647	105	Technical Services	Construction of new sub-station is in a planning stage			
		Households with access to free basic water	Number of households		0	0		0	0	0	0	0	0	0	0	0	0	0	Technical Services	The tariff structure only gave consumers free basic water if the consumption was less than 6kl. The 2010/11 structure gives all consumers 6 kl per month.		
		Households with access to free basic sanitation	Number of households	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	Technical Services	Tariff does not permit free basic sanitation based on consumption.		
		Households with access to free electricity	Number of households	500	560	250	250	250	250	500	500	250	250	250	250	1000	1000	Technical Services	This depends on application received from indigent consumers, however a revised indigent register should be finalised.			
	To avoid deterioration of existing infrastructure network and planning for new one	Adherence to operations and maintenance plan	% of O & M budget spent	100%	100%	25%	10%	25%	20%	0.5	0.3	25%	10%	25%	0%	1	0.4	Technical Services	Procurement of material should be fast-tracked			

National KPA	Strategic Objective	Measurable Objective/Output	Performance Measure / Indicator (Unit of Measure)	2008/2009		2009/2010												Responsibility	Planned Measures for Improvement	Source of Information						
						Q1 & Q2 Performance				1/2 Yearly Performance Report		Q3 & Q4 Performance				Annual Performance Report										
				Target	Actual	Target	Q1	Actual	Q1	Target	Q2	Actual	Q2	Target	Actual	Target	Q3				Actual	Q3	Target	Q4	Actual	Q4
Local Economic development	To stimulate economic growth	Jobs created through LED initiatives	Number of jobs																				Social & Economic Development			
		Jobs created through EPWP	Number of jobs									0	0							0	0			Social & Economic Development & Tech Services		
		Jobs created through the municipality's Capital Projects	Number of jobs																					Technical Services		
	To provide support to local business and emerging black entrepreneurs	Procurement of goods and services from local companies	% of budget spent on local content									0	0							0	0			Social & Economic Development		
	To operationalise LED Forums	Facilitate LED Forum meetings	Number of meetings	4	4	1	1	1	1	1	2	2	1	1	0	0	3	3	Social & Economic Development	Need to encourage Local Municipalities and private stakeholders to regard the forum as an important platform to advance economic development						
Municipal Transformation and Institutional Development	To provide effective and efficient Human Resources Management Services	Approved organogram	Date approved (11/12/2008)	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	Corporate Services		Copy of approved organogram	
		Approved Annual Workplace Skills Plan	Date approved	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	Corporate Services		Workplace skills Plan	
		Budget Spent on Workplace Skills Plan	Percentage spent			100%					1	0					1	0	Corporate Services				Workplace skills Plan			
		Filling of all funded vacant posts	Number of posts	100%	99%	1	0	3	5	4	5	3	2	4	6	11	13	Corporate Services					Contract of employment			
		Number of people from employment equity target groups employed in the three highest management levels in the municipality	Number of people	0	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	Corporate Services	To develop employment equity plan					
		Number of women employed in the three highest management levels in the municipality	Number of people	0	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	Corporate Services	To develop employment equity plan					
		Number of people with disabilities employed in the three highest management levels in the municipality	Number of people	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	Corporate Services	To develop employment equity plan					
		Learnership Programme	Number of learners			23	10	23	9	46	19	23	9	23	9	92	37	Corporate Services	To ringfence learnership budget							
		Bursaries awarded to qualifying applicants (Internally)	Number of applicants							0	0					0	0	Corporate Services								
		Development of the Equity Plan	Date	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	Corporate Services	Draft is available for approval	Draft EE Plan	
	To promote the municipality	Establishment of programmes to promote the Municipality	Number of programmes	6	6	6	6	6	6	6	12	12	6		6	6	24	18	Corporate Services			IDP Roadshows, Batho Pele Plan, Newsletter, Media coverage reports, Arts & culture Reports, Sports and recreation Reports.				
	To ensure integrated development planning	IDP Review	Date of approval (resolution)	100%	100%	100%	100%			1	1					1	1	Office of the MM					Council Resolution			
	To implement an effective organisational performance management system	Quarterly reports submitted to ExCo for approval	Number of reports (4)	4	0	1	0	1	0	2	0	1	1	1	0	4	1	Office of the MM	To fully comply by 10/11 FY							
		OPMS submitted to Council for adoption	Date of approval (resolution)	100%	100%	100%	0			1	0	0	100%			1	1	Office of the MM	OPMS to be submitted in time by Q1 during 10/11FY			Resolution by ExCo				
		S57 Performance Agreements signed	Signed agreements by 31 July 2009	100%	100%	100%	0			1	0	0	100%			1	1	Office of the MM	To fully comply by July 2010			Resolution by ExCo				
		S57 Performance Plans signed	Signed performance plans by 31 July 2009	100%	100%	100%	0			1	0	0	100%			1	1	Office of the MM	To fully comply by July 2010			Resolution by ExCo				
	Promote and enhance e-governance	Functional District Management Information Management System	One performance report produced per department per month			3	1	3	1	6	2	3	1	3	1	12	4	Corporate Services	To cascade DIMS to all Department users			DIMS printed Reports				
Effective and Efficient management of Information Managent System		Number of times the system was functioning	12	12	3	3	3	3	6	6	3	3	3	3	12	12	Corporate Services					IT Monthly Reports				

National KPA	Strategic Objective	Measurable Objective/Output	Performance Measure / Indicator (Unit of Measure)	2008/2009		2009/2010												Responsibility	Planned Measures for Improvement	Source of Information	
						Q1 & Q2 Performance				1/2 Yearly Performance Report		Q3 & Q4 Performance				Annual Performance Report					
				Target	Actual	Target Q1	Actual Q1	Target Q2	Actual Q2	Target	Actual	Target Q3	Actual Q3	Target Q4	Actual Q4	Target	Actual				
Financial Viability and Financial Management	To ensure that all revenue of the municipality is accounted for	Cash collected from customers	Value - R	34,062,258	26,942,528	9,042,904	2,531,000	9,042,904	3,276,754	18,085,808.00	5,807,754.00	9,042,904	7,848,420	9,042,904	10,528,765	36,171,616	24,184,939	Finance Department			
		Amount invoiced/billed to customers	Value - R	39,062,258	35,247,284	10,292,905	8,036,284	10,292,905	7,925,096	20,585,810.00	15,961,380.00	10,292,905	8,886,996	10,292,905	8,463,909	41,171,620	33,312,285	Finance Department			
		Debt coverage ratio	Ratio	100							0	0					0	0	Finance Department		
		Outstanding service debtors to revenue	%	100	56						0	0				46	0	46	Finance Department		
		Cost coverage ratio	Ratio	1	0.62						0	0				76	0	76	Finance Department		
		Maintenance of valuation roll	Number of objections/appeals								0	0				2	0	2	Finance Department		
	To ensure compliance with all financial management requirements	Total revenue received from grants and subsidies	As per DORA	203,397,019	248,027,783	81,760,060	81,760,060	68,647,610	69,489,110	150,407,670	151,249,170	38,633,601	51,975,251	43,550,150	29,367,000	232,591,421.00	232,591,421.00	Finance Department			
		Total of grants and subsidies spent	Percentage spent	100%	122%	100%	100%	100%	101%	100%	101%	100%	135%	100%	67%			Finance Department			
		Audit opinion	AG opinion	Unqualified	Disclaimer						0	0			Unqualified	Disclaimer			Finance Department		
	To ensure preparation and implementation of budgeting and reporting requirements	Percentage operating budget of total budget	%								0	0				46.5	0	46.5	Finance Department		
		Percentage salaries and wages budget (including benefits) of total budget	%								0	0				20.35	0	20.35	Finance Department		
		Percentage salaries and wages budget (including benefits) of operating budget	%					4%		4%	0	0.08				38.03	0	38.11	Finance Department		
		Percentage own revenue contribution to total budget	%					7%		8%	0	0.15				15.73	0	15.88	Finance Department		
		Budget compiled and submitted to council	Date prepared (resolution)	29-May-09	29-May-09						0	0			28-May-10	28-May-10	40326	40326	Finance Department		
		Preparation of the Adjustment Budget	Date prepared (resolution)	31-Jan-09	29-May-09						0	0				31-Jan-10	0	40209	Finance Department		
		Timeous payment of salaries and wages	Date each month	25	25						0	0			25	25	25	25	Finance Department		
		Provide monthly budget reports for all Capital Projects	Number of reports	12	12	3	3	3	3		6	6	3	3	3	3	12	12	Finance Department		
	To ensure compliance with all Supply Chain Management Regulations, Policies, PPPFA, BBBEE requirements	Readvertisement of Suppliers Database registration	Date								0	0	1	1			1	1	Finance Department		
		Timeous completion and submission of workplans	Date								0	0					0	0	Finance Department		
		Invoices paid on time	Turnaround time	30	60	30	60	30	60		60	120	30	90	30	120	120	330	Finance Department		
Spatial Planning and Environmental Management	To review the SDF for the District Municipality and incorporate it in the 2011/2012 IDP Review	Review of District-wide SDF	Date approved (08/09)	100%	100%						0	0		100%	0%	1	0	Social & Economic Development	To be reviewed during 10/11 FY		

National KPA	Strategic Objective	Measurable Objective/Output	Performance Measure / Indicator (Unit of Measure)	2008/2009		2009/2010												Responsibility	Planned Measures for Improvement	Source of Information												
						Q1 & Q2 Performance				1/2 Yearly Performance Report		Q3 & Q4 Performance				Annual Performance Report																
				Target	Actual	Target	Q1	Actual	Q1	Target	Q2	Actual	Q2	Target	Actual	Target	Q3				Actual	Q3	Target	Q4	Actual	Q4	Target	Actual				
Social Development	To facilitate the implementation of Special Programmes	Youth programmes	Staging of the programme	1	0	0		0		0		0		0		1		0		1		0		Community Services	Outsource funds from both the Provincial and National spheres							
		Gender programmes	Staging of the programme	1	1	1		0		1		0		2		0		1		1		4		1		Community Services	Outsource funds from both the Provincial and National spheres	Attendance Register				
		Senior citizens programmes	Staging of the programme	1	1	1		0		1		3		2		3		0		0		0		2		3		Community Services		Attendance Register		
		Arts and culture programmes	Staging of programmes	2	2	3		3		2		1		5		4		0		0		0		5		4		Community Services	Outsource funds from both the Provincial and National spheres	Attendance Register		
		Sports and recreation programme	Staging of the programme	5	9	1		1		1		6		2		7		0		0		1		0		3		7		Community Services		
		Response to emergency calls	90% of calls logged, attended within 30 min	425	425			140		76		0		216		82				133		0		431		Community Services	Outsource funds from both the Provincial and National spheres	OB				
		Heritage programmes	Staging of the programme									0		0								0		0		Community Services	Outsource funds from both the Provincial and National spheres					
		HIV/AIDS programmes	Staging of the programme	6	5	3		1		3		1		6		2		2		2		2		1		10		5		Community Services	Outsource funds from both the Provincial and National spheres	Reports and minutes
		Children's programmes	Staging of the programme	0	0	1		0		1		0		2		0		0		1		0		1		2		2		Community Services		Council Resolution
		Disability programmes	Staging of programmes	10	10	4		2		2		2		6		4		2		1		2		1		10		6		Community Services	Outsource funds from both the Provincial and National spheres	Reports and minutes
		Women Programme	Staging of programmes	0	0	2		3		0		0		2		3		0		0		0		0		2		3		Community Services	Outsource funds from both the Provincial and National spheres	Reports and minutes

AUDITOR'S REPORT OF THE AUDITOR-GENERAL TO THE KWAZULU-NATAL PROVINCIAL LEGISLATURE AND THE COUNCIL ON UMKHANYAKUDE DISTRICT MUNICIPALITY

REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

Introduction

1. I have audited the accompanying consolidated financial statements of the uMkhanyakude District Municipality, which comprise the consolidated and separate statement of financial position as at 30 June 2010, the consolidated and separate statement of financial performance, statement of changes in net assets and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages xx to xx.

Accounting officer's responsibility for the consolidated financial statements

2. The accounting officer is responsible for the preparation and fair presentation of these financial statements in accordance with the South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and in the manner required by the Local Government: Municipal Finance Management Act of South Africa, 2003 (Act No. 56 of 2003) (MFMA) and the Division of Revenue Act of South Africa, 2010 (Act No. 1 of 2010) (DoRA). This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor-general's responsibility

3. As required by section 188 of the Constitution of South Africa, 1996 (Act No. 108 of 1996), section 4 of the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA) and section 126(3) of the MFMA, my responsibility is to express an opinion on these financial statements based on my audit.
4. I conducted my audit in accordance with International Standards on Auditing and *General Notice 1570 of 2009* issued in *Government Gazette 32758 of 27 November 2009*. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance that the financial statements are free from material misstatement.
5. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

6. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Basis for qualified opinion

Electricity sales

7. The municipality could not provide sufficient appropriate audit evidence to support a journal entry processed on electricity sales amounting to R1 909 942,83. There were no satisfactory alternative audit procedures that I could perform to obtain reasonable assurance that all electricity sales had been properly recorded. Consequently, I did not obtain sufficient appropriate audit evidence to satisfy myself as to the accuracy and occurrence of the electricity sales.

Accumulated surplus

8. The municipality could not provide sufficient appropriate audit evidence to support prior years' expenses that affected the accumulated surplus of R3 225 906. There were no satisfactory alternative audit procedures that I could perform to obtain reasonable assurance that the prior years' expenses of R3 225 906 had been properly recorded. Consequently, I did not obtain sufficient appropriate audit evidence to satisfy myself as to the completeness and valuation of the amount disclosed as the accumulated surplus.
9. The municipality could not provide sufficient appropriate evidence to support automatic transfers incorrectly processed on the statement of changes in net assets totalling R1 455 906. There were no satisfactory alternative audit procedures that I could perform to obtain reasonable assurance on these automatic transfers. Consequently, I did not obtain sufficient appropriate audit evidence to satisfy myself as to the completeness and valuation of the amount disclosed as the accumulated surplus.

Qualified opinion

10. In my opinion, except for the effects of the matters described in the basis for qualified opinion paragraphs, these financial statements present fairly, in all material respects, the consolidated and separate financial position of the uMkhanyakude District Municipality as at 30 June 2010, and its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended, in accordance with the SA Standards of GRAP and in the manner required by the MFMA and DoRA.

Emphasis of matters

11. I draw attention to the matters below. My opinion is not modified in respect of these matters.

Restatement of corresponding figures

12. As disclosed in note 33 to the financial statements, corresponding figures have been restated due to prior period errors.

Matters important to the users of the financial statements

Unauthorised expenditure

13. As disclosed in note 37.1 to the consolidated financial statements, the municipality incurred unauthorised expenditure of R48,646 million (2009: R55,815 million) as a result of overexpenditure on the approved budget.

Fruitless and wasteful expenditure

14. As disclosed in note 37.2 to the consolidated financial statements, the municipality incurred fruitless and wasteful expenditure of R858 934 (2009: R206 944) as a result of interest and penalties on late payments.

Irregular expenditure

15. As disclosed in note 37.3 to the consolidated financial statements, the municipality incurred irregular expenditure by deviating from the supply chain management process in procuring goods and services amounting to R1,476 million as well as expenditure incurred as a result of contracts not being signed in 2008-09 and expenditure incurred on consultant fees for compiling an annual report without council approval (2009: R34,017 million).

Going concern

16. Although the municipality prepared financial statements on a going concern basis, note 33 to the financial statements reflect indicators that financial sustainability is under threat, as the municipality incurred a net loss during the year and the current liabilities exceeded the current assets. Management has adopted a plan of action with clear targets to ensure that the municipality continues to operate as a going concern for the foreseeable future.

Material losses

17. As disclosed in note 38 to the financial statements, the municipality incurred significant water distribution losses of 69%, amounting to R18,313 million (6 655 622 kilolitres). The municipality also incurred electricity distribution losses of approximately 72%, amounting to R2,962 million (6 978 266 kilowatts).

Additional matter

18. I draw attention to the matter below. My opinion is not modified in respect of this matter.

Unaudited supplementary schedules

19. The supplementary information set out on pages xx to xx does not form part of the financial statements and is presented as additional information. I have not audited these schedules and accordingly I do not express an opinion thereon.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

20. As required by the PAA and in terms of *General Notice 1570 of 2009* issued in *Government Gazette 32758 of 27 November 2009*, I include below my findings on the report on predetermined objectives, compliance with the MFMA and the Local Government: Municipal Systems Act of South Africa, 2000 (Act No. 32 of 2000) (MSA), and financial management (internal control).

Predetermined objectives

21. Material findings on the report on predetermined objectives, as set out on pages xx to xx, are reported below.

Usefulness of reported performance information

22. The following criteria were used to assess the usefulness of the planned and reported performance:

- Consistency: Has the municipality reported on its performance with regard to its objectives, indicators and targets in its approved integrated development plan, i.e. are the objectives, indicators and targets consistent between planning and reporting documents?
- Relevance: Is there a clear and logical link between the objectives, outcomes, outputs, indicators and performance targets?
- Measurability: Are objectives made measurable by means of indicators and targets? Are indicators well defined and verifiable, and are targets specific, measurable and time bound?

The following audit findings relate to the above criteria:

23. There was a lack of consistency between the allocation of performance measures and targets between the integrated development plan, the service delivery and budget implementation plan and the annual performance report.
24. Performance targets were not measurable.

Reliability of reported performance information

25. The following criteria were used to assess the reliability of the planned and reported performance:

- Validity: Has the actual reported performance occurred and does it pertain to the entity, i.e. can the reported performance information be traced back to the source data or documentation?
- Accuracy: Have amounts, numbers and other data relating to reported actual performance been recorded and reported appropriately?
- Completeness: Have all actual results and events that should have been recorded been included in the reported performance information?

The following audit findings relate to the above criteria:

Presentation of reported performance information

26. The annual performance report was not complete, as it did not include the performance of the municipality and each of its service providers; a comparison of the performance with targets set for and performances in the previous financial year; and measures taken to improve performance.
27. The integrated development plan did not reflect input and outcome performance indicators for the key performance indicators.

Compliance with laws and regulations

28. Included below are findings related to material non-compliance with the MFMA and the MSA.

Local Government: Municipal Finance Management Act of South Africa, 2003 (Act No. 56 of 2003)

29. Contrary to the requirements of section 32(4) of the MFMA, the accounting officer did not promptly inform the mayor, the MEC for local government in the province and the auditor-general, in writing, of any unauthorised, irregular or fruitless and wasteful expenditure incurred by the municipality.
30. Contrary to the requirements of sections 126(1)(a) and 126(1)(b) of the MFMA, the accounting officer of the municipality did not prepare the annual financial statements of the municipality within two months after the end of the financial year to which those statements relate and submit the statements to the auditor-general for auditing.
31. Contrary to the requirements of section 122(2) of the MFMA, the annual consolidated financial statements were not submitted to the auditor-general for auditing within three months after the end of the financial year.
32. Contrary to the requirement of section 87(1) of the MFMA, the municipal entity did not submit a proposed budget to its parent municipality within the required time frame.
33. Contrary to the requirement of section 86(1) of the MFMA, the municipal entity opened a new bank account but did not submit the details of the account to the parent municipality.
34. Contrary to the requirement of section 95(c)(1) of the MFMA, the municipal entity did not have a risk assessment strategy that included a fraud prevention plan.
35. Contrary to the requirement of section 166(4)(b) of the MFMA, the municipal entity's audit committee only met twice in the financial year instead of four times.
36. Contrary to the requirement of section 99(2)(b) of the MFMA, the municipal entity did not settle invoices totalling R2,37 million within 30 days of receipt thereof.
37. Contrary to the requirements of sections 97(1) and 99(2)(d) of the MFMA, the municipal entity did not have or did not maintain effective, efficient and transparent systems of internal control, as required by legislation, for debtors, revenue, creditors and payments.

Local Government: Municipal Systems Act of South Africa, 2000 (Act No. 32 of 2000)

38. Contrary to the requirement of section 93 of the MSA, the business plan between the municipal entity and the municipality was not signed.
39. Contrary to the requirements of section 46(1) of the MSA, the annual performance report and internal management reports did not accurately reflect the progress achieved for all of the targets set for the year. There was also inconsistency in reporting on municipal infrastructure grant projects.

40. Contrary to the requirements of section 72(1) of the MSA, there was no evidence to confirm that the accounting officer had assessed the performance of the municipality during the first half of the financial year.
41. Contrary to the requirements of section 76(b)(i) of the MSA, the municipality did not sign the service delivery agreement with the municipal entity.

INTERNAL CONTROL

42. I considered internal control relevant to my audit of the financial statements and the report on predetermined objectives as well as compliance with the MFMA, but not for the purpose of expressing an opinion on the effectiveness of internal control.
43. The matters reported below are limited to the findings on the report on predetermined objectives and the findings on compliance with laws and regulations.

Leadership

44. The accounting officer did not exercise oversight responsibility over reporting, compliance with laws and regulations as well as internal control.

Financial and performance management

45. Pertinent information was not identified and captured in a form and time frame to support financial and performance reporting. The financial statements and performance information were subject to material adjustments resulting from the audit.
46. The annual financial statements and the report on predetermined objectives were not submitted for auditing as per the legislated deadlines.
47. The requested information was not supplied timeously, as record management was not effective.

Governance

48. A fraud prevention plan was not documented and used as per the requirements of applicable legislation.
49. The audit committee did not fulfil its responsibilities as set out in legislation.
50. The implementation of internal and external audit recommendations was not monitored.

OTHER REPORT

Investigation

51. The chief financial officer is currently under investigation.

Auditor-General

Pietermaritzburg

15 March 2011



AUDITOR - GENERAL
SOUTH AFRICA

Auditing to build public confidence

UMKHANYAKUDE DISTRICT MUNICIPALITY

Registration number DC27

Consolidated Annual Financial Statements for the year ended 30 June 2010



UMKHANYAKUDE DISTRICT MUNICIPALITY CONSOLIDATED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

UMKHANYAKUDE DISTRICT MUNICIPALITY

Registration number DC27

Consolidated Annual Financial Statements for the year ended 30 June 2010

GENERAL INFORMATION:

Legal Form of Entity	Municipality
Executive Committee	
Mayor	Councillor LM Mthombeni (Chairperson)
Deputy Mayor	Councillor M Zungu
Speaker	Councillor G P Moodley
Member	Councillor L M Nhleko Councillor S S Mhlongo Councillor H M Mayise
Other Council Members	21 Councillors
Grading	4
Acting Accounting Officer	Mr S R Mathobela
Acting Chief Financial Officer (CFO)	Mr T M Mabika
Registered Office	Lot 13433 Kingfisher Road, Remainder of Harlingen Farm, Mkuze, 3965
Postal address	P O Box 449 Mkuze 3965
Bankers	First National Bank Mkuze Absa Bank, Durban Ithala Bank, Durban
Auditors	Auditor General South Africa Redlands Estate, 1 George McFarlane Wembley Pietermaritzburg 3201
Attorneys	Shepston & Wylie Richards Bay

UMKHANYAKUDE DISTRICT MUNICIPALITY

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Consolidated Annual Financial Statements for the year ended 30 June 2010

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UMKHANYAKUDE DISTRICT MUNICIPALITY

Registration number DC27

Consolidated Annual Financial Statements for the year ended 30 June 2010

Approval of consolidated annual financial statements

I am responsible for the preparation of these consolidated annual financial statements, which are set out on pages 4 to 56, in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

I certify that salaries, allowances and benefits to Councillors, loans made to Councillors, if any, and payments made to Councillors for loss of office, if any, as disclosed in note 23 of these financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Office Bearers Act and the Minister of Provincial Local Government's determination in accordance with this Act.

Mr Moodley

Acting Municipal Manager

Date:

UMKHANYAKUDE DISTRICT MUNICIPALITY

Registration number DC27

Consolidated Annual Financial Statements for the year ended 30 June 2010

Statement of Financial Position

		Consolidated		Municipality	
		2010	Restated	2010	Restated
	Notes	R	2009	R	2009
		R	R	R	R
Assets					
Current Assets					
Inventories	6	350 365	1 204 803	350 365	1 204 803
Other debtors	7	1 196 614	6 015 088	1 196 614	6 015 088
VAT Receivable	8	246 463	1 847 757	246 463	1 619 622
Prepayments		-	142 278	-	142 278
Consumer debtors	9	4 065 201	22 755 735	4 065 201	22 755 735
Cash and cash equivalents	10	20 217 381	15 146 459	19 961 814	13 584 828
		26 076 024	47 112 120	25 820 457	45 322 354
Non Current Assets					
Property, plant and equipment	2	1 076 547 431	1 047 733 174	1 076 497 413	1 047 685 419
Intangible assets	3	43 410	19 870	43 410	19 870
Investment in municipal entity	4	-	-	100	100
Long term receivable	5	-	255 070	-	255 070
		1 076 590 841	1 048 008 114	1 076 540 923	1 047 960 459
Total assets		1 102 666 865	1 095 120 234	1 102 361 380	1 093 282 813
Liabilities					
Current liabilities					
Bank overdraft	10	3 450 306	-	3 450 306	-
Unspent conditional grants and receipts	11	47 517 877	26 909 904	47 517 877	26 909 904
Provisions	12	2 877 512	2 465 107	2 877 512	2 465 107
Current portion of long term liabilities	13	2 097 708	749 839	2 097 708	749 839
Current portion of finance lease obligations	14	1 066 680	1 428 381	1 066 680	1 428 381
Trade and other payables	15	59 561 062	65 560 162	59 320 975	62 276 165
Consumer deposits	16	712 741	605 849	712 741	605 849
Taxes and Transfers payable	17	28 901	67 986	-	-
VAT Payable	18	352 796	-	-	-
		117 665 583	97 787 228	117 043 799	94 435 245
Non - Current Liabilities					
Investment loan		100	100	100	100
Long term liabilities	13	10 497 758	14 625 326	10 497 758	14 625 326
Finance lease obligation	14	287 064	1 373 722	287 064	1 373 722
		10 784 922	15 999 148	10 784 922	15 999 148
Total Liabilities		128 450 505	113 786 376	127 828 721	110 434 393
Net Assets		974 216 360	981 333 858	974 532 659	982 848 420
Net Assets					
Reserves					
Accumulated surplus		974 216 360	981 333 858	974 532 659	982 848 420
Total Net Assets		974 216 360	981 333 858	974 532 659	982 848 420

UMKHANYAKUDE DISTRICT MUNICIPALITY

Registration number DC27

Consolidated Annual Financial Statements for the year ended 30 June 2010

Statement of financial performance

		Consolidated		Municipality	
		2010	Restated	2010	Restated
	Notes	R	2009	R	2009
			R		R
Revenue					
Service charges	19	31 617 987	42 667 869	31 617 987	42 667 869
Property Rates	20	744 448	-	744 448	-
Rental Income		70 865	87 744	70 865	87 744
Other income		643 080	25 359	632 579	25 359
Government grants	21	203 892 757	236 835 244	197 791 557	234 885 398
Interest received – investment	22	836 352	2 556 636	809 458	2 488 063
Total Revenue		237 805 489	282 172 852	231 666 894	280 154 433
Expenditure					
Employee related costs	23	52 228 027	44 443 486	49 257 671	42 504 330
Remuneration of councilors	24	2 470 855	2 336 665	2 470 855	2 336 665
Depreciation and amortization		48 013 514	57 151 102	47 998 606	57 146 677
Inventory written-off		634 354	-	634 354	-
Finance costs	25	2 009 233	3 804 533	2 009 233	3 804 533
Provision for doubtful debts		37 098 827	20 400 694	37 098 827	20 400 694
Repairs and maintenance		5 121 181	6 765 534	5 095 892	6 750 311
Bulk purchases	26	52 227 457	43 574 348	52 227 457	43 574 348
Contracted services	27	120 249	3 779 473	120 249	3 779 473
Grant expenditure		3 824 324	24 376 396	4 676 654	24 376 396
General expenditure	28	41 165 266	31 541 525	38 392 857	28 623 856
Total Expenditure		244 913 287	238 173 756	239 982 655	233 297 283
Taxation		9 700	19 200	-	-
(Deficit)/Surplus for the year		(7 117 498)	43 979 896	(8 315 761)	46 857 150

UMKHANYAKUDE DISTRICT MUNICIPALITY

Registration number DC27

Consolidated Annual Financial Statements for the year ended 30 June 2010

GROUP - Consolidated

Statement of Changes in Net Assets

	Notes	Revaluation Reserve R	Government grant reserve R	Total reserves R	Accumulated Surplus R	Total net assets R
Balance at 30 June 2008			487 569 064	487 569 064	89 158 199	576 727 263
Correction of prior period error					29 880 931	29 880 931
Restated balance			487 569 064	487 569 064	119 039 130	606 608 194
Changes in net assets						
Surplus for the year					43 979 896	43 979 896
Revaluation of Assets		345 619 008		345 619 008		345 619 008
Offsetting of depreciation		(8 782 076)		(8 782 076)	8 782 076	-
Write off of balance and other corrections during the year					(4 809 100)	(4 809 100)
Write off of accumulated depreciation on revaluation and disposal of assets					6 388 051	6 388 051
Transfer of sports complex			(14 996 284)	(14 996 284)	-	(14 996 284)
Automatic transfers incorrectly processed					(1 455 907)	(1 455 907)
Transferred to Accumulated Surplus			(472 572 780)	(472 572 780)	472 572 780	-
Reversal of Revaluation Surplus incorrectly recognized previously		(345 619 008)		(345 619 008)	345 619 008	-
Reversal of depreciation offset against accumulated surplus incorrectly recognised previously		8 782 076		8 782 076	(8 782 076)	-
Total changes		-	(487 569 064)	(487 569 064)	862 294 728	374 725 664
Restated balance as at 30 June 2009		-	-	-	981 333 858	981 333 858
Surplus/(Deficit) for the year					(7 117 498)	(7 117 498)
Total changes		-	-	-	(7 117 498)	(7 117 498)
Balance as at 30 June 2010		-	-	-	974 216 360	974 216 360

UMKHANYAKUDE DISTRICT MUNICIPALITY

Registration number DC27

Consolidated Annual Financial Statements for the year ended 30 June 2010

MUNICIPALITY

Statement of Changes in Net Assets

	Notes	Revaluation Reserve R	Government grant reserve R	Total reserves R	Accumulated Surplus R	Total net assets R
Balance at 30 June 2008			487 569 064	487 569 064	87 795 507	575 364 571
Correction of prior period error					29 880 931	29 880 931
Restated balance			487 569 064	487 569 064	117 676 438	605 245 502
Changes in net assets						
Surplus for the year					46 857 150	46 857 150
Revaluation of Assets		345 619 008		345 619 008		345 619 008
Offsetting of depreciation		(8 782 076)		(8 782 076)	8 782 076	-
Write off of balance and other corrections during the year					(4 809 100)	(4 809 100)
Write off of accumulated depreciation on revaluation and disposal of assets					6 388 051	6 388 051
Transfer of sports complex			(14 996 284)	(14 996 284)	-	(14 996 284)
Automatic transfers incorrectly processed					(1 455 907)	(1 455 907)
Transferred to Accumulated Surplus			(472 572 780)	(472 572 780)	472 572 780	-
Reversal of Revaluation Surplus incorrectly recognized previously		(345 619 008)		(345 619 008)	345 619 008	
Reversal of depreciation offset against accumulated surplus incorrectly recognised previously		8 782 076		8 782 076	(8 782 076)	-
Total changes		-	(487 569 064)	(487 569 064)	865 171 982	377 602 918
Restated balance as at 30 June 2009		-	-	-	982 848 420	982 848 420
Surplus/(Deficit) for the year					(8 315 761)	(8 315 761)
Total changes		-	-	-	(8 315 761)	(8 315 761)
Balance as at 30 June 2010		-	-	-	974 532 659	974 532 659

UMKHANYAKUDE DISTRICT MUNICIPALITY

Registration number DC27

Consolidated Annual Financial Statements for the year ended 30 June 2010

Cash Flow Statement

	Notes	Consolidated		Municipality	
		2010	Restated 2009	2010	Restated 2009
		R	R	R	R
Cash flows from operating activities					
Cash receipts from consumers and government		261 986 692	287 638 293	255 885 491	285 688 447
Cash paid to suppliers and employees		(178 427 009)	(119 389 175)	(171 058 855)	(117 406 359)
Cash generated from operations	29	83 559 683	168 249 118	84 826 686	168 282 088
Interest income		836 352	2 556 636	809 458	2 488 063
Finance costs		(2 009 233)	(3 804 533)	(2 009 233)	(3 804 533)
Taxation Paid		(48 785)	-	-	-
Net cash from operating activities		82 338 017	167 001 221	83 626 911	166 965 618
Cash flows from investing activities					
Purchase of property, plant and equipment		(76 851 311)	(110 851 359)	(76 834 142)	(110 812 051)
Prior period errors		-	(50 549 415)	-	(50 549 415)
Decrease/increase in long term receivables		255 071	(9 598)	255 071	(9 598)
Net cash from investing activities		(76 596 24)	(161 410 372)	(76 579 071)	(161 371 064)
Cash flows from financing activities					
Movement in long term liabilities		(4 127 568)	(2 440 542)	(4 127 568)	(2 440 542)
Movement in Finance lease obligation		(1 086 655)	(618 845)	(1 086 655)	(618 845)
Movement in current portion of long term liabilities		1 347 870	(2 060 808)	1 347 870	(2 060 808)
Movement in current portion of finance lease liabilities		(361 702)	1 428 380	(361 702)	1 428 380
Movement in consumer deposits		106 895	239 810	106 895	239 810
Net cash from financing activities		(4 121 160)	(3 452 005)	(4 121 160)	(3 452 005)
Total cash movement for the year		1 620 616	2 138 844	2 926 680	2 142 549
Cash and cash equivalents at the beginning of the year		15 146 459	13 007 615	13 584 828	11 442 279
Cash and cash equivalents at end of year		16 767 075	15 146 459	16 511 508	13 584 828

UMKHANYAKUDE DISTRICT MUNICIPALITY

Registration number DC27

Consolidated Annual Financial Statements for the year ended 30 June 2010

Notes to the Consolidated Annual Financial Statements

Accounting Policies

1. Presentation of Financial Statements

The consolidated annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise. The consolidated annual financial statements have been prepared in accordance with South African Standards of Generally Recognised Accounting Practice (GRAP) including interpretations, guidelines and directives issued by the Accounting Standards Board in accordance with section 122(3) of the Municipal Finance Management Act, (Act No. 56 of 2003).

Accounting policies for material transactions, events or conditions not covered by the above GRAP standards have been developed in accordance with paragraph 7, 11 and 12 of GRAP 3. These accounting policies and applicable disclosures have been based on the South African Statements of Generally Accepted Accounting Practices (SA GAAP) including any interpretations of such Statements issued by the Accounting Practices Board.

A summary of the significant accounting policies, which have been consistently applied, are disclosed below.

Standard of GRAP

GRAP 1	Presentation of Financial Statements
GRAP 2	Cash flow statements
GRAP 3	Accounting policies, changes in accounting estimates and errors
GRAP 4	The effects of changes in foreign exchange rates
GRAP 5	Borrowing costs
GRAP 6	Consolidated financial statements and accounting for controlled entities
GRAP 7	Investments in associates
GRAP 8	Interest in Joint Ventures
GRAP 9	Revenue from Exchange Transactions
GRAP 10	Financial Reporting in Hyperinflationary Economies
GRAP 11	Construction Contracts
GRAP 12	Inventories
GRAP 13	Leases
GRAP 14	Events after reporting date
GRAP 16	Investment Property
GRAP 17	Property, plant and equipment
GRAP 19	Provisions, contingent liabilities and contingent assets

UMKHANYAKUDE DISTRICT MUNICIPALITY

Registration number DC27

Consolidated Annual Financial Statements for the year ended 30 June 2010

Accounting Policies – (continued)

1. Presentation of Financial Statements – (continued)

GRAP 100	Non- current assets held for sale and Discontinued Operations
GRAP 101	Agriculture
GRAP 102	Intangible Assets
IFRS 3 (AC 140)	Business Combinations
IFRS 4 (AC 141)	Insurance Contracts
IFRS 6 (AC 143)	Exploration for and Evaluation of Mineral resources
IFRS 7 (AC 144)	Financial Instruments: Disclosures
IAS 12 (AC 102)	Income Taxes
IAS 19 (AC 116)	Employee Benefits
IAS 32 (AC 125)	Financial Instruments: Presentation
IAS 36 (AC 128)	Impairment of Assets
IAS 39 (AC 133)	Financial Instruments: Recognition and Measurement
IPSAS 120	Related Party Disclosure
IPSAS 121	Impairment of Non cash Generating Assets
IFRIC 4	Determining whether an Arrangement contains a Lease
IFRIC 14	The Limit of a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
IGRAP 1	Applying the Probability Test on Initial Recognition of Exchange Revenue

The accounting policies applied are consistent with those used to present the previous year's consolidated financial statements, unless explicitly stated. The details of any changes in accounting policies are explained in the relevant policy.

1.1 Significant judgments and sources of estimation and uncertainty

In preparing the consolidated annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgment are inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgment includes:

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosures of these estimates of provisions are in note – 12, Provisions.

UMKHANYAKUDE DISTRICT MUNICIPALITY

Registration number DC27

Consolidated Annual Financial Statements for the year ended 30 June 2010

Accounting Policies – (continued)

1.2 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognized as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality, and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired at no cost, for a nominal cost, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non monetary asset or monetary asset, or a combination of monetary and non-monetary asset, the assets acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or to construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, and service it. If a replacement cost is recognized in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognized.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using the it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Major spare parts and stand by equipment which are expected to be used for more than one period are included in property, plant and equipment. In addition, spare parts and stand by equipment which can only be used in connection with an item of property, plant and equipment are accounted for as property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognized.

Property, plant and equipment are depreciated on the straight line basis over their estimated useful lives to their estimated residual value.

UMKHANYAKUDE DISTRICT MUNICIPALITY

Registration number DC27

Consolidated Annual Financial Statements for the year ended 30 June 2010

Accounting Policies – (continued)

1.2 Property, plant and equipment - (continued)

The useful lives of items of property, plant and equipment have been assessed as follows:-

Item	Average useful life
Infrastructure	
• Electricity	20 – 30
• Water	15 – 20
• Sewerage	15 – 20
Community	
• Buildings	30
•	
• Airport	20
• Security measures	5
Other	
• Bins and containers	5
• Computer equipment	5
• Computer software	3 – 5
• Emergency equipment	15
• Furniture and fittings	7 – 10
• Motor vehicles	5
• Office equipment	5
• Office machines	3 – 5
• Plant and equipment	2 – 10
• Telecommunication	5

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each period is recognized in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognized when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the de-recognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognized. The gain or loss arising from the de-recognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

1.3 Intangible Assets

Intangible assets comprise computer software and anti-virus software and are initially recognised at cost.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

Amortisation is provided for intangible assets on a straight line basis over the useful life. The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date. Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Average useful life (years)
Computer software	3 – 5

Intangible assets are derecognised:

- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss is the difference between the net disposal proceeds, if any, and the carrying amount. It is recognised in surplus or deficit when the asset is derecognised.

UMKHANYAKUDE DISTRICT MUNICIPALITY

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Consolidated Annual Financial Statements for the year ended 30 June 2010

Accounting Policies – (continued)

1.4 Investments

Financial instruments, which include fixed deposits and short-term deposits invested in registered commercial banks, are stated at cost.

On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance.

1.5 Financial instruments

Trade and other receivables

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in surplus or deficit when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial re-organisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired.

Trade and other payables

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially and subsequently recorded at fair value.

Bank overdraft and borrowings

Bank overdrafts and borrowings are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the municipality's accounting policy for borrowing costs.

1.6 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

Operating leases – lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset. This liability is not discounted. Any contingent rents are expensed in the period they are incurred.

Finance lease – lessee

Finance leases are recognized as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

Minimum lease payments are apportioned between the finance charge and reduction of outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate on the remaining balance of the liability.

UMKHANYAKUDE DISTRICT MUNICIPALITY

Registration number DC27

Consolidated Annual Financial Statements for the year ended 30 June 2010

Accounting Policies – (continued)

1.7 Inventories

The inventories are initially measured at cost, except where inventories are acquired at no cost, or for nominal consideration, and then their costs are their fair value as at date of acquisition.

Subsequently inventories are measured at the lower of cost or net realizable value.

The cost of inventories is assigned using the formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.8 Impairment of assets

The municipality assesses at each statement of financial position date whether there is any indication that an asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the municipality also:

- tests intangible assets with an indefinite useful life or intangible assets not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed during the annual period and at the same time every period.
- tests goodwill acquired in a business combination for impairment annually.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash generating unit to which the asset belongs is determined.

The recoverable amount of an asset or a cash generating unit is the higher of its fair value less costs to sell and its value in use.

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any impairment loss of a revalued asset is treated as a revaluation decrease.

Goodwill acquired in a business combination is, from the acquisition date, allocated to each of the cash generating units, or groups of cash generating units, that are expected to benefit from the synergies of the combination.

An impairment loss is recognised for cash generating units if the recoverable amount of the unit is less than the carrying amount of the units. The impairment loss is allocated to reduce the carrying amount of the assets of the unit in the following order:

- first, to reduce the carrying amount of any goodwill allocated to the cash generating unit and
- then, to the other assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

An entity assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets other than goodwill may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

The increased carrying amount of an asset other than goodwill attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

UMKHANYAKUDE DISTRICT MUNICIPALITY

Registration number DC27

Consolidated Annual Financial Statements for the year ended 30 June 2010

Accounting Policies – (continued)

1.8 Impairment of assets – (continued)

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation other than goodwill is recognised immediately in surplus or deficit. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

1.9 Employee benefits

Short term employee benefits

The cost of short term employee benefits , (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non monetary benefits such as medical care), are recognized in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognized as an expense as the employees render services that increase their entitlement or, in the case of non accumulating absences, when the absence occurs.

Pension Obligations

Umkhanyakude District Council and its employees contribute to the Natal Joint Municipal Pension Fund, Kwazulu-Natal Joint Municipal Provident Fund and GEPF which provides retirement benefits to such employees. The retirement benefit plan is subject to the rules and regulations prescribed by the Local Government Superannuation Ordinance, 1973 (Ordinance No.24 of 1973) and in accordance with the requirements of the Pension Fund Act, 1956 Current contributions are charged against operating income on the basis of current service costs.

1.10 Provisions and contingencies

Provisions are recognised when:

- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the entity settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are not recognised for future operating deficits.

If an entity has a contract that is onerous, the present obligation under the contract is recognised and measured as a provision.

A constructive obligation to restructure arises only when an entity:

- has a detailed formal plan for the restructuring, identifying at least:
 - the business or part of a business concerned;
 - the principal locations affected;
 - the location, function, and approximate number of employees who will be compensated for terminating their services;
 - the expenditures that will be undertaken; and
 - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

UMKHANYAKUDE DISTRICT MUNICIPALITY

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Consolidated Annual Financial Statements for the year ended 30 June 2010

Accounting Policies – (continued)

1.10 Provisions and contingencies - (continued)

After their initial recognition contingent liabilities recognised in business combinations that are recognised separately are subsequently measured at the higher of:

- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised.

1.11 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting periods when those inflow result in an increase in net assets, other than increases relating to contribution from owners.

An exchange transaction is the one in which the municipality receives assets or services, or has liability extinguished, and directly gives approximately equal value (primarily in the in the form of goods, or services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or liability settled, between knowledgeable, willing parties in an arm's length transaction.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebate.

Rendering of service

When the outcome of transaction involving the rendering of service can be estimated reliable, revenue associated with the transaction is recognized by reference to the stage of completion of transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following condition are satisfied:

- the amount of revenue can be measure reliably.
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality.
- the stage of completion of transaction at the reporting date can be measured reliably.
- the cost incurred for the transaction and cost to complete the transaction could be measured reliably

When service are performed by indeterminable number of act over a specified time frame, revenue is recognized on a straight line basis over the specific time frame unless there an evidence that some other methods better represent stage of completion .when a specific act is much more significant than any other act, the recognition of revenue is postpone until the significant acts is executed.

1.12 Revenue from non exchange transactions

Non exchange transactions are defined as transactions where the entity receives value from another entity without directly giving approximately equal value in exchange.

Revenue is the gross inflow of economic benefit or service potential during the reporting period when those inflows result in an increase in net assets other than an increase relating to contribution from owners.

Fair value is the amount for which an asset could be exchange, or liability settled between two willing parties in an arm's length transaction.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discount or volume rebates.

UMKHANYAKUDE DISTRICT MUNICIPALITY

Registration number DC27

Consolidated Annual Financial Statements for the year ended 30 June 2010

Accounting Policies – (continued)

1.12 Revenue from non exchange transactions

Rates, including collection charges and penalties interest

Revenue from rates ,including collection charges and penalty interest, is recognized when :

- it is probably that economic benefit or service potential associated with the transaction will flow to the municipality.
- the amount of revenue could be measure reliably and
- there has been compliance with the relevant legal requirements.

Changes to the property values during a reporting period by a suitably qualified valuator and adjustments are made to the rates revenue, based on a time proportion basis. Adjustments to rates revenue already recognized are processed or additional rate revenue is recognized.

Government grants

Government grants are recognized as revenue when:

- it is probable that economic benefits or service potential associated with the transaction will flow to the municipality
- the amount of the revenue can be measured reliably and
- to the extent that there has been compliance with any restriction associated with the grant.

Restrictions in government grants may result in such revenue being recognized on the time proportion basis. Where there is no restriction on the period, such revenue is recognized on receipt or when the Act becomes effective, which-ever is earlier.

1.13 Investment income

Interest and rentals are recognised on a time proportion basis.

1.14 Borrowing costs

Borrowing costs are recognised as an expense in the period in which they are incurred.

1.15 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

1.16 Unauthorised expenditure

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote;
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.17 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where

UMKHANYAKUDE DISTRICT MUNICIPALITY

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Consolidated Annual Financial Statements for the year ended 30 June 2010

Accounting Policies – (continued)

1.17 Fruitless and wasteful expenditure – (continued)

recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.18 Irregular expenditure

Irregular expenditure as defined in section 1 of the PFMA is expenditure other than unauthorized expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including:

- this Act, or
- the state tender board Act, 1968 (Act no. 86 of 1968), or any regulation made in term of this act, or
- any provincial legislation providing for procurement procedures in that provincial government.

National Treasury practice note 4 of 2008/2009 which was issued in terms of sections 76(1) to 76(4) of the PFMA requires the following (effective from 1 April 2008):

Irregular expenditure that was incurred and identified during the year and which was condoned before year end and/or before finalization of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statement.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statement must be updated with the amount condoned.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person a debt account must be created if such a person is liable in law. Immediate step must thereafter be taken to recover the from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statement. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law the expenditure related thereto must remain against the relevant program/ expenditure item, be disclosed as such in the note to the financial statement and updated accordingly in the irregular expenditure register.

1.19 Conditional Grants and receipts

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised.

1.20 Going concern assumption

These annual financial statements have been prepared on a going concern basis.

1.21 Presentation currency

These annual financial statements are presented in South African Rand.

1.22 Offsetting

Assets, liabilities, revenue and expenses have not been offset except when offsetting is required or permitted by a standard of GRAP.

UMKHANYAKUDE DISTRICT MUNICIPALITY

Registration number DC27

Consolidated Annual Financial Statements for the year ended 30 June 2010

Accounting Policies – (continued)

1.22 Segmental information

Segmental information on property, plant and equipment, as well as income and expenditure, is set out in Appendices C and D, based on the International Government Financial Statistics classifications and the budget formats prescribed by National Treasury. The municipality operates solely in its area of jurisdiction as determined by the Demarcation Board.

Segment Information is prepared in conformity with the accounting policies applied after preparing and presenting the financial statements

UMKHANYAKUDE DISTRICT MUNICIPALITY

Registration number DC27

Consolidated Annual Financial Statements for the year ended 30 June 2010

Notes to the Consolidated Annual Financial Statements

2. Property, Plant and Equipment

GROUP - CONSOLIDATED

	Cost/Valuation	2010 Accumulated Depreciation	Carrying Value	Cost/Valuation	2009 Accumulated Depreciation	Carrying value
	R	R	R	R	R	R
Land	9 000	-	9 000	9 000	-	9 000
Buildings	24 032 800	2 505 931	21 526 869	24 032 800	1 962 800	22 070 000
Furniture & Fixtures	297 651	217 284	80 367	294 251	186 516	107 735
Office equipment	1 447 114	1 176 284	270 830	1 394 555	1 027 772	366 783
Computer equipment	3 718 410	2 596 402	1 122 008	3 403 717	2 205 022	1 198 695
Infrastructure	1 059 002 865	201 972 979	857 029 886	1 058 962 232	157 626 727	901 335 505
Community Assets	12 261 944	1 227 105	11 034 839	12 261 944	1 048 486	11 213 458
Other property, plant & equipment	13 522 800	11 110 807	2 411 993	13 337 116	9 651 467	3 685 649
Assets - leased	4 851 425	3 546 202	1 305 223	5 962 864	3 593 375	2 369 489
Capital work in progress	181 756 416	-	181 756 416	105 376 860	-	105 376 860
	1 300 900 425	224 352 994	1 076 547 431	1 225 035 339	177 302 165	1 047 733 174

MUNICIPALITY

	Cost/Valuation	2010 Accumulated Depreciation	Carrying Value	Cost/Valuation	2009 Accumulated Depreciation	Carrying value
	R	R	R	R	R	R
Land	9 000	-	9 000	9 000	-	9 000
Buildings	24 032 800	2 505 931	21 526 869	24 032 800	1 962 800	22 070 000
Furniture & Fixtures	286 631	215 526	71 105	286 631	186 410	100 221
Office equipment	1 422 653	1 168 612	254 041	1 374 303	1 024 196	350 107
Computer equipment	3 683 899	2 585 858	1 098 041	3 378 766	2 203 636	1 175 130
Infrastructure	1 059 002 865	201 972 979	857 029 886	1 058 962 232	157 626 727	901 335 505
Community Assets	12 261 944	1 227 105	11 034 839	12 261 944	1 048 486	11 213 458
Other property, plant & equipment	13 522 800	11 110 807	2 411 993	13 337 116	9 651 467	3 685 649
Assets - leased	4 851 425	3 546 202	1 305 223	5 962 864	3 593 375	2 369 489
Capital work in progress	181 756 416	-	181 756 416	105 376 860	-	105 376 860
	1 300 830 433	224 333 020	1 076 497 413	1 224 982 516	177 297 097	1 047 685 419

UMKHANYAKUDE DISTRICT MUNICIPALITY

Registration number DC27

Consolidated Annual Financial Statements for the year ended 30 June 2010

Notes to the Consolidated Annual Financial Statements (continued)

2. Property, Plant and Equipment – (continued)

Reconciliation of property, plant and equipment – GROUP – CONSOLIDATED 2010

	Opening balance	Addition	Depreciation	Total
	R	R	R	R
Land	9 000	-	-	9 000
Buildings	22 070 000	-	(543 131)	21 526 869
Furniture and fixture	107 735	3 400	(30 768)	80 367
Office Equipment	366 783	52 558	(148 511)	270 830
Computer Equipment	1 198 695	314 692	(391 379)	1 122 008
Infrastructure	901 335 505	40 661	(44 346 280)	857 029 886
Community Assets	11 213 458	-	(178 619)	11 034 839
Other property, plant & equipment	3 685 649	17 786	(1 291 442)	2 411 993
Assets - leased	2 369 489	-	(1 064 266)	1 305 223
Capital work in progress	105 376 860	76 379 556	-	181 756 416
TOTAL	1 047 733 174	76 808 653	(47 994 396)	1 076 547 431

Reconciliation of property, plant and equipment GROUP – CONSOLIDATED – 2009

	Opening Balance	Transfers	Addition	Depreciation	Total
	R	R	R	R	R
Land	9 000	-	-	-	9 000
Buildings	22 724 267	-	-	(654 267)	22 070 000
Furniture and fixture	125 922	-	19 022	(37 209)	107 735
Office Equipment	601 068	-	16 358	(250 643)	366 783
Computer Equipment	1 354 851	-	206 739	(362 895)	1 198 695
Infrastructure	950 650 086	-	2 646 926	(51 961 507)	901 335 505
Community Assets	50 830 202	(40 618 068)	1 361 568	(360 244)	11 213 458
Other property, plant & equipment	5 921 793	-	-	(2 236 144)	3 685 649
Assets - leased	2 453 667	-	1 189 961	(1 274 139)	2 369 489
Capital work in progress	-	-	105 376 860	-	105 376 860
TOTAL	1 034 670 856	(40 618 068)	110 817 434	(57 137 048)	1 047 733 174

Reconciliation of property, plant and equipment – MUNICIPALITY - 2010

	Opening balance	Addition	Depreciation	Total
	R	R	R	R
Land	9 000	-	-	9 000
Buildings	22 070 000	-	(543 131)	21 526 869
Furniture and fixture	100 221	-	(29 116)	71 105
Office Equipment	350 107	48 349	(144 415)	254 041
Computer Equipment	1 175 130	305 132	(382 221)	1 098 041
Infrastructure	901 335 505	40 661	(44 346 280)	857 029 886
Community Assets	11 213 458	-	(178 619)	11 034 839
Other property, plant & equipment	3 685 649	17 786	(1 291 442)	2 411 993
Assets - leased	2 369 489	-	(1 064 266)	1 305 223
Capital work in progress	105 376 860	76 379 556	-	181 756 416
TOTAL	1 047 685 419	76 791 484	47 979 490	1 076 497 413

UMKHANYAKUDE DISTRICT MUNICIPALITY

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Consolidated Annual Financial Statements for the year ended 30 June 2010

Notes to the Consolidated Annual Financial Statements (continued)

2. Property, Plant and Equipment – (continued)

Reconciliation of property, plant and equipment GROUP – MUNICIPALITY – 2009

	Opening Balance	Transfers	Addition	Depreciation	Total
	R	R	R	R	R
Land	9 000	-	-	-	9 000
Buildings	22 724 267	-	-	(654 267)	22 070 000
Furniture and fixture	125 922	-	11 402	(37 103)	100 221
Office Equipment	588 201	-	9 621	(247 715)	350 107
Computer Equipment	1 354 851	-	181 788	(361 509)	1 175 130
Infrastructure	950 650 086	-	2 646 926	(51 961 507)	901 335 505
Community Assets	50 830 202	(40 618 068)	1 361 568	(360 244)	11 213 458
Other property, plant & equipment	5 921 793	-	-	(2 236 144)	3 685 649
Assets - leased	2 453 667	-	1 189 961	(1 274 139)	2 369 489
Capital work in progress	-	-	105 376 860	-	105 376 860
TOTAL	1 034 657 989	(40 618 068)	110 778 126	(57 132 628)	1 047 685 419

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the offices of the uMkhanyakude Municipality.

3. Intangible Assets

Intangible Assets - Consolidated

	Cost/Valuation	2010 Accumulated Amortisation	Carrying Value	Cost/Valuation	2009 Accumulated Amortisation	Carrying value
	R	R	R	R	R	R
Computer Software	657 442	614 032	43 410	614 787	594 917	19 870

Intangible Assets – Municipality

	Cost/Valuation	2010 Accumulated Amortisation	Carrying Value	Cost/Valuation	2009 Accumulated Amortisation	Carrying value
	R	R	R	R	R	R
Computer Software	657 442	614 032	43 410	614 787	594 917	19 870

Reconciliation of intangible assets - Consolidated – 2010

	Opening Balance	Addition	Amortisation	Total
	R	R	R	R
Computer Software	19 870	42 656	19 116	43 410

UMKHANYAKUDE DISTRICT MUNICIPALITY

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Consolidated Annual Financial Statements for the year ended 30 June 2010

Notes to the Consolidated Annual Financial Statements (continued)

3. Intangible Assets – (continued)

Reconciliation of intangible assets - Consolidated – 2009

	Opening Balance	Addition	Amortisation	Total
	R	R	R	R
Computer Software	-	33 924	14 054	19 870

Reconciliation of intangible assets - Municipality – 2010

	Opening Balance	Addition	Amortisation	Total
	R	R	R	R
Computer Software	19 870	42 656	19 116	43 410

Reconciliation of intangible assets - Municipality – 2009

	Opening Balance	Addition	Amortisation	Total
	R	R	R	R
Computer Software	-	33 924	14 054	19 870

Consolidated 2010	2009	Municipality 2010	2009
R	R	R	R

4. Investment in Municipal Entity

Name of company	Held by
Umhlosinga Development Agency (Pty) Ltd	Umkhanyakude Municipality

Issued share capital	100	100
Percentage owned by Council	100%	100%

5. Other Financial Assets

Long term receivables

Housing loans	1	1	1	1
Avis Loan – CLLR L M Mthombeni	254 792	185 131	254 792	185 131
Vehicle loans	69 938	69 938	69 938	69 938
Loan to Umhlabuyalingana Municipality	2 090 006	-	2 090 006	-
Provision for debt impairment	(2 414 737)	-	(2 414 737)	-
	-	255 070	-	255 070

The municipality has not reclassified any financial assets from cost to fair value or amortised cost to fair value, or from fair value to cost, or amortised cost during the current or prior year

UMKHANYAKUDE DISTRICT MUNICIPALITY

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Consolidated Annual Financial Statements for the year ended 30 June 2010

Notes to the Consolidated Annual Financial Statements (continued)

	Consolidated 2010 R	2009 R	Municipality 2010 R	2009 R
6. Inventories				
Water stock – at cost	57 784	85 778	57 784	85 778
Water meters – at cost	292 581	1 119 025	292 581	1 119 025
	350 365	1 204 803	350 365	1 204 803
7. Other debtors				
Other debtors	6 179 935	7 441 353	6 179 935	7 441 353
Less: provision for debt impairment	(4 983 321)	(1 426 265)	(4 983 321)	(1 426 265)
	1 196 614	6 015 088	1 196 614	6 015 088
8. Other receivables from non exchange transactions, including taxes and transfers				
VAT receivable	246 463	1 847 757	246 463	1 619 622
9. Consumer debtors				
Gross balances				
Sewerage	5 146 566	4 886 336	5 146 566	4 886 336
Electricity	2 222 541	5 348 165	2 222 541	5 348 165
Water	82 523 214	68 069 992	82 523 214	68 069 992
Rates	848 670	-	848 670	-
Total	90 740 991	78 304 493	90 740 991	78 304 493
Less: Provision for debt impairment				
Sewerage	(5 344 973)	(3 648 747)	(5 344 973)	(3 648 747)
Electricity	(2 000 137)	(3 991 311)	(2 000 137)	(3 991 311)
Water	(78 736 609)	(47 908 699)	(78 736 609)	(47 908 699)
Rates	(594 070)	-	(594 070)	-
Total	(86 675 789)	(55 548 757)	(86 675 789)	(55 548 757)
Net balance				
Sewerage	(198 407)	1 418 129	(198 407)	1 418 129
Electricity	222 403	1 554 343	222 403	1 554 343
Water	3 786 605	19 783 263	3 786 605	19 783 263
Rates	254 600	-	254 600	-
Total	4 065 201	22 755 735	4 065 201	22 755 735
Sewerage				
Current (0 – 30 days)	(332 917)	(380 550)	(332 917)	(380 550)
31 – 60 days	68 308	60 828	68 308	60 828
61 – 90 days	66 202	79 385	66 202	79 385
91 – 120 days	59 563	108 552	59 563	108 552
121 – 365 days	5 285 410	5 018 121	5 285 410	5 018 121
Total	5 146 566	4 886 336	5 146 566	4 886 336

UMKHANYAKUDE DISTRICT MUNICIPALITY

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Consolidated Annual Financial Statements for the year ended 30 June 2010

Notes to the Consolidated Annual Financial Statements (continued)

	Consolidated 2010 R	2009 R	Municipality 2010 R	2009 R
9. Consumer debtors (continued)				
Electricity				
Current (0 – 30 days)	(71 038)	(772 329)	(71 038)	(772 329)
31 – 60 days	224 400	151 996	224 400	151 996
61 – 90 days	69 041	75 554	69 041	75 554
91 120 days	113 254	83 442	113 254	83 442
121 – 365 days	1 886 883	5 809 502	1 886 883	5 809 502
Total	2 222 541	5 348 165	2 222 541	5 348 165
Water				
Current (0 – 30 days)	(337 754)	(2 048 452)	(337 754)	(2 048 452)
31 – 60 days	2 009 402	1 989 549	2 009 402	1 989 549
61 – 90 days	2 103 934	2 712 410	2 103 934	2 712 410
91 120 days	1 527 324	2 792 242	1 527 324	2 792 242
121 – 365 days	77 220 309	62 624 243	77 220 309	62 624 243
Total	82 523 214	68 069 992	82 523 214	68 069 992
Rates				
Current (0 – 30 days)	84 842	-	84 842	-
31 – 60 days	84 867	-	84 867	-
61 – 90 days	84 867	-	84 867	-
91 120 days	84 867	-	84 867	-
121 – 365 days	509 227	-	509 227	-
Total	848 670	-	848 670	-
Reconciliation of debt impairment provision				
Balance at the beginning of the year	55 548 757	35 148 062	55 548 757	35 148 062
Contribution to provision	31 127 032	20 400 695	31 127 032	20 400 695
	86 675 789	55 548 757	86 675 789	55 548 757
10. Cash and cash equivalents				
Cash and cash equivalents consist of:				
Cash on hand	1 579	1 511	1 541	1 500
Bank balances	20 207 808	15 144 948	19 960 273	13 583 328
Bank Overdraft	(3 450 306)	-	(3 450 306)	-
Credit Card	7 994	-	-	-
	16 767 075	15 146 459	16 511 508	13 584 828
Current Assets	20 217 381	15 146 459	19 961 814	13 584 828
	20 217 381	15 146 459	19 961 814	13 584 828
Current Liabilities	(3 450 306)	-	(3 450 306)	-
	(3 450 306)	-	(3 450 306)	-

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Notes to the Consolidated Annual Financial Statements (continued)

	Consolidated 2010 R	2009 R	Municipality 2010 R	2009 R
10. Cash and cash equivalents (continued)				
The municipality has the following bank accounts:				
Cheque account (primary Bank Account)				
ABSA Bank – Account Number 40 – 5310 – 7423				
Cash book balance at the beginning of the year			11 593 189	426 514
Cash book balance at the end of year			8 119 855	11 593 189
Bank statement balance at the beginning of year			11 593 189	426 514
Bank statement balance at the end of the year			8 119 855	8 115 189
Commercial Cheque Account				
FNB – Account number 62026865321				
Cash book balance at the beginning of year			193 605	(3 395 433)
Cash book balance at the end of year			(3 450 306)	193 605
Bank statement balance at the beginning of year			193 605	10 505 038
Bank statement balance at the end of year			5 670 965	193 605
Call Account				
FNB – Account Number 620 27696478				
Cash book balance at the beginning of year			83 381	82 830
Cash book balance at the end of year			82 896	83 381
Bank statement balance at the beginning of year			83 381	82 830
Bank statement balance at the end of year			82 896	83 381
FNB cheque – Account Number 620 9299 3809				
Cash book balance at the beginning of year			680 962	1 077 144
Cash book balance at the end of year			497 182	680 962
Bank statement balance at the beginning of year			680 962	1 077 144
Bank statement balance at the end of year			497 182	680 962
Ithala Club Save 23247671				
Cash book balance at the beginning of year			266 745	482 336
Cash book balance at the end of year			40 913	266 745
Bank statement balance at the beginning of year			266 745	482 336
Bank statement balance at the end of year			40 913	266 745
FNB Cheque – Account number 620 9915 5387				
Cash book balance at the beginning of year			137 530	135 942
Cash book balance at the end of year			-	137 530
Bank statement balance at the beginning of year			137 530	135 923
Bank statement balance at the end of year			-	137 530
FNB cheque – Account number 620 9915 6046				
Cash book balance at the beginning of year			219 198	213 163
Cash book balance at the end of year			-	219 198
Bank statement balance at the beginning of year			219 198	213 176
Bank statement balance at the end of year			-	219 198
FNB cheque – Account number 620 9915 6864				
Cash book balance at the beginning of year			316 866	302 607
Cash book balance at the end of year			-	316 866

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Notes to the Consolidated Annual Financial Statements (continued)

	Consolidated 2010 R	2009 R	Municipality 2010 R	2009 R
10. Cash and cash equivalents (continued)				
Bank statement balance at the beginning of year			316 866	302 656
Bank statement balance at the end of year			-	316 866
FNB cheque – Account number 622 6373 3258				
Cash book balance at the beginning of year			-	-
Cash book balance at the end of year			26 474	-
Bank statement balance at the beginning of year			-	-
Bank statement balance at the end of year			26 474	-
Absa call – Account number 91 1531 5268				
Cash book balance at the beginning of year			89 508	3 336 743
Cash book balance at the end of year			11 192 953	89 508
Bank statement balance at the beginning of year			89 508	3 336 743
Bank statement balance at the end of year			11 192 953	89 508

11. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprise:

Conditional grants from other spheres of government	32 941 012	10 119 611	32 941 012	10 119 611
Other grant receipts	14 756 865	16 790 292	14 756 865	16 790 292
	47 517 877	26 909 904	47 517 877	26 909 904

Refer to Appendix E for more detail on conditional grants and receipts.

12. Provisions

Reconciliation of provisions – Consolidated - 2010

	Opening balance R	Raised/(Reversed) during the year R	Total R
Provision for performance business	397 980	(397 980)	-
Provision for leave pay	2 067 127	810 385	2 877 512
	2 465 107	412 405	2 877 512

Reconciliation of provisions – Consolidated - 2009

Provision for performance bonuses	788 598	(390 618)	397 980
Provision for leave pay	1 792 706	274 421	2 067 127
	2 581 304	(116 197)	2 465 107

Reconciliation of provisions – Municipality - 2010

Provision for performance business	397 980	(397 980)	-
Provision for leave pay	2 067 127	810 385	2 877 512
	2 465 107	412 405	2 877 512

Reconciliation of provisions – Municipality - 2009

Provision for performance bonuses	788 598	(390 618)	397 980
Provision for leave pay	1 792 706	274 421	2 067 127
	2 581 304	(116 197)	2 465 107

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Notes to the Consolidated Annual Financial Statements (continued)

	Consolidated 2010 R	2009 R	Municipality 2010 R	2009 R
13. Long term liabilities				
Refer to Appendix A for more detail on long term loans				
Long term loans				
Development Bank of South Africa - loan	12 595 465	15 375 165	12 595 465	15 375 165
	12 595 465	15 375 165	12 595 465	15 375 165
Less: Current portion of long term liabilities				
Development Bank of South Africa – loan	2 097 708	749 839	2 097 708	749 839
	2 097 708	749 839	2 097 708	749 839
Total Long-term portion	10 497 758	14 625 326	10 497 758	14 625 326

14. Finance lease obligation

Minimum lease payments due

- Within one year	1 238 973	2 074 230	1 238 973	2 074 230
- In second to fifth year	345 773	1 590 028	345 773	1 590 028
	1 584 746	3 664 258	1 584 746	3 664 258
Less: Future finance charges	(230 002)	(862 155)	(230 002)	(862 155)
Present value of minimum lease payments	1 353 744	2 802 103	1 353 744	2 802 103

Present value of minimum lease payments

- Within one year	1 066 680	1 428 381	1 066 680	1 428 381
- In second to fifth year	287 064	1 373 722	287 064	1 373 722
	1 353 744	2 802 103	1 353 744	2 802 103
Non - current liabilities	287 064	1 373 722	287 064	1 373 722
Current liabilities	1 066 680	1 428 381	1 066 680	1 428 381
	1 353 744	2 802 103	1 353 744	2 802 103

It is the municipality's policy to lease office equipment and vehicles under finance leases.

The municipality has finance lease agreements for the following significant classes of assets:

- Motor Vehicles
- Trucks and Bakkies
- Office Machines
- Telecommunication

Included in these classes are the following significant leases:

i) Motor vehicles				
- Installments are payable monthly in arrears				
- Average period outstanding		5 months	17 months	
- Average monthly effective rate		4%	4%	
- Average monthly installment		R 4 396	R 4 396	

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Notes to the Consolidated Annual Financial Statements (continued)

	Consolidated 2010 R	2009 R	Municipality 2010 R	2009 R
14. Finance lease obligation (continued)				
ii) Trucks and bakkies				
- Installments are payable monthly in arrears			6 months	16 months
- Average period outstanding			3%	3%
- Average monthly effective rate			R 5 508	R 5 665
- Average monthly installment				
iii) Office machines				
- Installments are payable monthly in arrears			16 months	28 months
- Average period outstanding			2%	2%
- Average monthly effective rate			R 2 365	R 2 365
- Average monthly installment				
iv) Telecommunications				
- Installments are payable monthly in arrears			16 months	28 months
- Average period outstanding			2%	2%
- Average monthly effective rate			R 18 230	R 18 230
- Average monthly installment				
15. Trade and payables				
Trade payables	40 336 150	50 685 603	40 210 706	49 788 198
Creditor suspense	5 014	2 563	5 014	2 563
Retentions	7 458 120	10 520 065	7 458 120	10 520 065
Other creditors	10 919 078	1 508 112	10 804 435	1 277 740
Bonus pay accrual	842 700	687 600	842 700	687 600
Correction of prior period error	-	2 156 219	-	-
	59 561 062	65 560 162	59 320 975	62 276 166
16. Consumer deposits				
Jozini – water debtors	433 617	345 056	433 617	345 056
Mtubatuba- water debtors	279 124	260 793	279 124	260 793
	712 741	605 849	712 741	605 849
17. Taxes and transfers payable				
Tax	28 901	67 986	-	-
18. VAT payable				
VAT	352 796	-	-	-
19. Service Charges				
Sale of electricity	1 186 426	2 658 698	1 186 426	2 658 698
Sale of water	29 494 301	38 806 134	29 494 301	38 806 134
Sewerage and sanitation	937 260	1 203 037	937 260	1 203 037
	31 617 987	42 667 869	31 617 987	42 667 869

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Notes to the Consolidated Annual Financial Statements (continued)

	Consolidated 2010 R	2009 R	Municipality 2010 R	2009 R
20. Property rates				
Residential	48 308	-	48 308	-
Commercial	360 088	-	360 088	-
State	336 052	-	336 052	-
	744 448	-	744 448	-

The Municipality commenced charging rates for the first time in September 2009. Valuations on land and buildings are performed every four years. The last valuation came into effect on 01 September 2009.

A general rate randage of R 0,0025 is applied to property valuations relating to Agricultural and a general rate randage of R 0,01 is applied to all other property valuations to determine assessment rates. Rates are levied on a monthly basis to property owners. Interest is levied at prime on outstanding rates since 01 July 2010.

21. Government grants and subsidies

Equitable Share	105 880 714	84 569 947	105 880 714	84 569 947
Financial management grant	472 813	500 000	472 813	500 000
IDP Grant	47 458	-	47 458	-
Drought Relief Grant	-	1 566 202	-	1 566 202
Shared Services Grant	1 203 406	128 189	1 203 406	128 189
Debt Collection Grant	1 133 846	3 547 628	1 133 846	3 547 628
Umnqobokazi Sportsfield	13 931	1 250 000	13 931	1 250 000
Qongwana Sportsfield	180 900	131 620	180 900	131 620
Mtuba Water Conservation and Demand Management	194 046	1 126 371	194 046	1 126 371
KwaJobe-Cezwana Water Purification Grant	-	127 120	-	127 120
Disaster Management	275 252	1 925	275 252	1 925
Department of Transport	200 000	-	200 000	-
LED Capacity Building	866	-	866	-
Opportunities for Local SMME's	769	-	769	-
LED Institutional Arrangements	845	-	845	-
MSIG	1 339 018	130 982	1 339 018	130 982
Support & Development Capacity	81 138	-	81 138	-
Expanded Public Works Programme (EPWP)	240 400	-	240 400	-
Total government grants and subsidies received:	111 265 401	93 079 984	111 265 401	93 079 984

Equitable Share

Balance unspent at the beginning of year	-	-	-	-
Current year receipts	105 880 714	84 569 947	105 880 714	84 569 947
Conditions met-transferred to revenue	(105 880 714)	(84 569 947)	(105 880 714)	(84 569 947)
Conditions still to be met – transferred to liabilities	-	-	-	-

PIMMS/NDT Operational

Balance unspent at the beginning of year	(300)	(300)	(300)	(300)
Current year receipts	-	-	-	-
Conditions met-transferred to revenue	-	-	-	-
Conditions still to be met – transferred to liabilities	(300)	(300)	(300)	(300)

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Notes to the Consolidated Annual Financial Statements (continued)

	Consolidated 2010 R	2009 R	Municipality 2010 R	2009 R
21. Government grants and subsidies (continued)				
Finance Management Grant				
Balance unspent at the beginning of year	-	-	-	-
Current year receipts	(750 000)	(500 000)	(750 000)	(500 000)
Conditions met-transferred to revenue	472 813	500 000	472 813	500 000
Conditions still to be met – transferred to liabilities	(277 187)	-	(277 187)	-
Drought Relief				
Balance unspent at the beginning of year	-	(1 566 202)	-	(1 566 202)
Current year receipts	-	-	-	-
Conditions met-transferred to revenue	-	1 566 202	-	1 566 202
Conditions still to be met – transferred to liabilities	-	-	-	-
Capacity Building – Asset Management				
Balance unspent at the beginning of year	(784 000)	(784 000)	(784 000)	(784 000)
Current year receipts	-	-	-	-
Conditions met-transferred to revenue	-	-	-	-
Conditions still to be met – transferred to liabilities	(784 000)	(784 000)	(784 000)	(784 000)
Development Agency Grant				
Balance unspent at the beginning of year	(621 456)	(621 456)	(621 456)	(621 456)
Current year receipts	-	-	-	-
Conditions met-transferred to revenue	-	-	-	-
Conditions still to be met – transferred to liabilities	(621 456)	(621 456)	(621 456)	(621 456)
IDP Grant				
Balance unspent at the beginning of year	(47 458)	(47 458)	(47 458)	(47 458)
Current year receipts	-	-	-	-
Conditions met-transferred to revenue	47 458	-	47 458	-
Conditions still to be met – transferred to liabilities	-	(47 458)	-	(47 458)
Shared Services Grant				
Balance unspent at the beginning of year	(2 843 311)	(1 421 500)	(2 843 311)	(1 421 500)
Current year receipts	(637 000)	(1 550 000)	(637 000)	(1 550 000)
Conditions met-transferred to revenue	1 203 406	128 189	1 203 406	128 189
Conditions still to be met – transferred to liabilities	(2 276 905)	(2 843 311)	(2 276 905)	(2 843 311)
Debt Management Grant				
Balance unspent at the beginning of year	(2 452 372)	(6 000 000)	(2 452 372)	(6 000 000)
Current year receipts	-	-	-	-
Conditions met-transferred to revenue	1 133 846	3 547 628	1 133 846	3 547 628
Conditions still to be met – transferred to liabilities	(1 318 526)	(2 452 372)	(1 318 526)	(2 452 372)
Umnqobokazi				
Balance unspent at the beginning of year	-	-	-	-
Current year receipts	-	(1 250 000)	-	(1 250 000)
Conditions met-transferred to revenue	13 931	1 250 000	13 931	1 250 000
Adjustment	(272 175)	-	(272 175)	-
Conditions still to be met – transferred to liabilities	(258 244)	-	(258 244)	-

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Notes to the Consolidated Annual Financial Statements (continued)

	Consolidated 2010 R	2009 R	Municipality 2010 R	2009 R
21. Government grants and subsidies (continued)				
Qongwane Sportsfield				
Balance unspent at the beginning of year	(180 900)	(312 520)	(180 900)	(312 520)
Current year receipts	-	-	-	-
Conditions met-transferred to revenue	180 900	131 620	180 900	131 620
Conditions still to be met – transferred to liabilities	-	(180 900)	-	(180 900)
KwaZibi National Lottery				
Balance unspent at the beginning of year	(166 667)	(166 667)	(166 667)	(166 667)
Current year receipts	-	-	-	-
Conditions met-transferred to revenue	-	-	-	-
Conditions still to be met – transferred to liabilities	(166 667)	(166 667)	(166 667)	(166 667)
Mqobela National Lottery				
Balance unspent at the beginning of year	(166 666)	(166 666)	(166 666)	(166 666)
Current year receipts	-	-	-	-
Conditions met-transferred to revenue	-	-	-	-
Conditions still to be met – transferred to liabilities	(166 666)	(166 666)	(166 666)	(166 666)
Mabibi National Lottery				
Balance unspent at the beginning of year	(166 667)	(166 667)	(166 667)	(166 667)
Current year receipts	-	-	-	-
Conditions met-transferred to revenue	-	-	-	-
Conditions still to be met – transferred to liabilities	(166 667)	(166 667)	(166 667)	(166 667)
Mtuba water Conservation and demand management				
Balance unspent at the beginning of year	(718 355)	(1 844 726)	(718 355)	(1 844 726)
Current year receipts	-	-	-	-
Conditions met-transferred to revenue	194 046	1 126 371	194 046	1 126 371
Conditions still to be met – transferred to liabilities	(524 309)	(718 355)	(524 309)	(718 355)
KwaJobe Cezwane Water Purification				
Balance unspent at the beginning of year	(787 880)	(915 000)	(787 880)	(915 000)
Current year receipts	-	-	-	-
Conditions met-transferred to revenue	-	127 120	-	127 120
Conditions still to be met – transferred to liabilities	(787 880)	(787 880)	(787 880)	(787 880)
KwaJobe Nongowoza Water Purification				
Balance unspent at the beginning of year	(915 000)	(915 000)	(915 000)	(915 000)
Current year receipts	-	-	-	-
Conditions met-transferred to revenue	-	-	-	-
Conditions still to be met – transferred to liabilities	(915 000)	(915 000)	(915 000)	(915 000)
Bazaneni River Water Purification				
Balance unspent at the beginning of year	(756 400)	(756 400)	(756 400)	(756 400)
Current year receipts	-	-	-	-
Conditions met-transferred to revenue	-	-	-	-
Conditions still to be met – transferred to liabilities	(756 400)	(756 400)	(756 400)	(756 400)

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Consolidated Annual Financial Statements for the year ended 30 June 2010

Notes to the Consolidated Annual Financial Statements (continued)

	Consolidated 2010 R	2009 R	Municipality 2010 R	2009 R
21. Government grants and subsidies (continued)				
Disaster Management Grant				
Balance unspent at the beginning of year	(275 252)	(277 177)	(275 252)	(277 177)
Current year receipts	-	-	-	-
Conditions met-transferred to revenue	(275 252)	1 925	(275 252)	1 925
Conditions still to be met – transferred to liabilities	-	(275 252)	-	(275 252)
Department of Transport				
Balance unspent at the beginning of year	(200 000)	(200 000)	(200 000)	(200 000)
Current year receipts	-	-	-	-
Conditions met-transferred to revenue	(200 000)	-	(200 000)	-
Conditions still to be met – transferred to liabilities	-	(200 000)	-	(200 000)
Growth and Development Grant				
Balance unspent at the beginning of year	(100 000)	(100 000)	(100 000)	(100 000)
Current year receipts	-	-	-	-
Conditions met-transferred to revenue	-	-	-	-
Conditions still to be met – transferred to liabilities	(100 000)	(100 000)	(100 000)	(100 000)
Corridor Development				
Balance unspent at the beginning of year	(1 195 000)	-	(1 195 000)	-
Current year receipts	(12 000 000)	(700 000)	(12 000 000)	(700 000)
Conditions met-transferred to revenue	12 000 000	-	12 000 000	-
Adjustment	-	(495 000)	-	(495 000)
Conditions still to be met – transferred to liabilities	(1 195 000)	(1 195 000)	(1 195 000)	(1 195 000)
LED Capacity Building				
Balance unspent at the beginning of year	(138 038)	(138 038)	(138 038)	(138 038)
Current year receipts	-	-	-	-
Conditions met-transferred to revenue	-	-	-	-
Adjustment	866	-	866	-
Conditions still to be met – transferred to liabilities	137 172	(138 038)	137 172	(138 038)
LED Institutional Arrangement				
Balance unspent at the beginning of year	(220 840)	(220 840)	(220 840)	(220 840)
Current year receipts	-	-	-	-
Conditions met-transferred to revenue	845	-	845	-
Adjustment	220 039	-	220 039	-
Conditions still to be met – transferred to liabilities	-	(220 840)	-	(220 840)
LED Opportunity for local SMME's				
Balance unspent at the beginning of year	(322 623)	(322 623)	(322 623)	(322 623)
Current year receipts	-	-	-	-
Conditions met-transferred to revenue	769	-	769	-
Adjustment	321 854	-	321 854	-
Conditions still to be met – transferred to liabilities	-	(322 623)	-	(322 623)
MSIG				
Balance unspent at the beginning of year	(604 018)	-	(604 018)	-
Current year receipts	(735 000)	(735 000)	(735 000)	(735 000)
Conditions met-transferred to revenue	1 339 018	130 982	1 339 018	130 982
Conditions still to be met – transferred to liabilities	-	(604 018)	-	(604 018)

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Notes to the Consolidated Annual Financial Statements (continued)

	Consolidated 2010 R	2009 R	Municipality 2010 R	2009 R
21. Government grants and subsidies (continued)				
Intergovernmental Relations Implementation Grant				
Balance unspent at the beginning of year	-	-	-	-
Current year receipts	(500 000)	-	(500 000)	-
Conditions met-transferred to revenue	-	-	-	-
Conditions still to be met – transferred to liabilities	(500 000)	-	(500 000)	-
Support and Development Capacity Grant				
Balance unspent at the beginning of year	-	-	-	-
Current year receipts	(600 000)	-	(600 000)	-
Conditions met-transferred to revenue	81 138	-	81 138	-
Conditions still to be met – transferred to liabilities	(518 862)	-	(518 862)	-
Expanded Public Works Programme				
Balance unspent at the beginning of year	-	-	-	-
Current year receipts	(356 150)	-	(356 150)	-
Conditions met-transferred to revenue	240 400	-	240 400	-
Conditions still to be met – transferred to liabilities	(115 750)	-	(115 750)	-
Lake Tete				
Balance unspent at the beginning of year	(267 001)	(267 001)	(267 001)	(267 001)
Current year receipts	-	-	-	-
Conditions met-transferred to revenue	-	-	-	-
Conditions still to be met – transferred to liabilities	(267 001)	(267 001)	(267 001)	(267 001)
KwaDapha				
Balance unspent at the beginning of year	(578 891)	(578 891)	(578 891)	(578 891)
Current year receipts	-	-	-	-
Conditions met-transferred to revenue	-	-	-	-
Conditions still to be met – transferred to liabilities	(578 891)	(578 891)	(578 891)	(578 891)
Balance unspent at the beginning of year	46 108	46 108	46 108	46 108
Vukukhanye Mashaba				
Current year receipts	-	-	-	-
Conditions met-transferred to revenue	-	-	-	-
Conditions still to be met – transferred to liabilities	46 108	46 108	46 108	46 108
Nyezi Community HIV Centre				
Balance unspent at the beginning of year	(303 570)	(303 570)	(303 570)	(303 570)
Current year receipts	-	-	-	-
Conditions met-transferred to revenue	-	-	-	-
Conditions still to be met – transferred to liabilities	(303 570)	(303 570)	(303 570)	(303 570)
Mkhombe Tours				
Balance unspent at the beginning of year	(908 690)	(908 690)	(908 690)	(908 690)
Current year receipts	-	-	-	-
Conditions met-transferred to revenue	-	-	-	-
Conditions still to be met – transferred to liabilities	(908 690)	(908 690)	(908 690)	(908 690)

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Notes to the Consolidated Annual Financial Statements (continued)

	Consolidated 2010 R	2009 R	Municipality 2010 R	2009 R
21. Government grants and subsidies (continued)				
Waste Management Grant				
Balance unspent at the beginning of year	(200 000)	-	(200 000)	-
Current year receipts	-	(200 000)	-	(200 000)
Conditions met-transferred to revenue	-	-	-	-
Conditions still to be met – transferred to liabilities	(200 000)	(200 000)	(200 000)	(200 000)
Grants and subsidies paid				
Grant Expenditure	16 633 384	8 510 037	16 633 384	8 510 037
Government grants and subsidies				
Government grants and subsidies received	184 579 172	248 027 783	184 579 172	248 027 783
Government Grants				
Equitable Share	105 880 714	84 569 947	105 880 714	84 569 947
Conditional grant: met & transferred to revenue	-	130 250 842	-	130 250 842
Other grants: met transferred to revenue	(16 633 384)	33 206 994	(16 633 384)	33 206 994
	89 247 330	248 027 783	89 247 330	248 027 783
Conditional Grants (MIG)				
Balance unspent at the beginning of year	10 119 608	20 625 386	10 119 608	20 625 386
Current Year receipts	109 347 557	118 369 036	109 347 557	118 369 036
Conditions met – transferred to revenue	(74 816 503)	(107 758 996)	(74 816 503)	(107 758 996)
Conditions met – transferred to revenue (operational)	(1 616 288)	-	(1 616 288)	-
Other	334 164	(21 115 818)	334 164	(21 115 818)
	43 368 538	10 119 608	43 368 538	10 119 608
Other Grants				
Balance unspent at beginning of year	16 790 292	19 698 952	16 790 292	19 698 952
Prior year adjustment	-	15 633 198	-	15 633 198
Restated balance unspent at beginning of year	16 790 292	35 332 150	16 790 292	35 332 150
Current year receipts	3 578 150	4 675 012	3 578 150	4 675 012
Conditions met – transferred to revenue	(5 384 687)	(22 491 846)	(5 384 687)	(22 491 846)
Other	(406 890)	(725 024)	(406 890)	(725 024)
Balance unspent at end of year	14 576 865	16 790 292	14 576 865	16 790 292
TOTAL CONDITIONAL GRANTS AND OTHER GRANTS				
Balance unspent at beginning of year	26 909 902	40 324 338	26 909 902	40 324 338
Prior year adjustment	-	15 633 198	-	15 633 198
Balance unspent after adjustment	26 909 902	55 957 536	26 909 902	55 957 536
Current year receipts	112 925 707	123 044 049	112 925 707	123 044 049
LESS: Expenditure	(90 628 718)	(130 250 842)	(90 628 718)	(130 250 842)
Conditions met – transferred to revenue	(1 616 288)	-	(1 616 288)	-
Other	(72 726)	(21 840 842)	(72 726)	(21 840 842)
Balance unspent at end of year	47 517 877	26 909 902	47 517 877	26 909 902

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Notes to the Consolidated Annual Financial Statements (continued)

	Consolidated 2010 R	2009 R	Municipality 2010 R	2009 R
22. Investment revenue				
Interest revenue				
Bank	727 590	68 573	700 696	-
Other interest	108 762	2 488 063	108 762	2 488 063
	836 352	2 556 636	809 458	2 488 063

23. Employee related costs

Basic	36 293 439	30 753 161	33 983 462	29 151 258
Bonus	(294 107)	(292 439)	(397 980)	(292 439)
Medical Aid – company contributions	1 637 645	1 192 693	1 521 332	1 192 693
UIF	336 454	261 515	298 549	261 515
WCA	215 602	-	215 602	-
SDL	440 712	363 003	404 600	363 003
Other payroll Levies	23 435	18 054	14 716	18 054
Leave pay provision charge	1 209 564	1 562 747	1 209 564	1 555 641
Other short term costs	-	-	-	-
Pension	4 134 095	3 422 485	4 134 095	3 422 485
Travel, motor car, accommodation, subsistence and other allowances	1 074 104	997 417	716 647	674 887
Overtime payments	2 371 793	2 466 324	2 371 793	2 466 324
Car allowance	3 688 376	3 345 553	3 688 376	3 345 553
Housing benefits and allowances	458 547	437 766	458 547	430 149
Development Agency salary costs	-	(555 169)	-	(555 169)
Termination benefits	638 368	470 376	638 368	470 376
	52 228 027	44 443 486	49 257 671	42 504 330

Remuneration of Municipal Manager

Annual remuneration	582 783	556 571	582 783	556 571
Cell Allowance	26 945	29 394	26 945	29 394
Housing allowance	15 205	18 315	15 205	18 315
Travel allowance and claims	46 920	315 154	46 920	315 154
Subsistence	926	3 794	926	3 794
Back pay	65 417	15 222	65 417	15 222
Contributions to UIF, medical and pension funds	53 858	26 002	53 858	26 002
	792 053	964 452	792 053	964 452

Remuneration of Chief Financial Officer

Annual remuneration	558 949	506 286	558 949	506 286
Cell Allowance	9 600	9 600	9 600	9 600
Performance Bonus	-	-	-	-
Housing allowance	-	-	-	-
Leave pay	59 617	-	59 617	-
Travel allowance and claims	199 698	161 462	199 698	161 462
Subsistence	155	3 257	155	3 257
Back pay	30 094	15 499	30 094	15 499
Contributions to UIF, medical and pension funds	167 656	161 433	167 656	161 433
	1 025 769	857 537	1 025 769	857 537

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Notes to the Consolidated Annual Financial Statements (continued)

	Consolidated 2010 R	2009 R	Municipality 2010 R	2009 R
23. Employee related costs – (continued)				
Remuneration of Head of Technical Services				
Annual remuneration	289 322	297 737	289 322	297 737
Cell Allowance	5 600	13 397	5 600	13 397
Performance Bonus	-	22 967	-	22 967
Contributions to UIF, medical and pension funds	83 581	62 625	83 581	62 625
Travel allowance and claims	110 427	158 699	110 427	158 699
Housing allowance	-	3 000	-	3 000
Subsistence	504	185	504	185
Acting allowance	-	154 971	-	154 971
	489 435	713 581	489 435	713 581
Remuneration of Head of Corporate Services				
Annual remuneration	555 919	510 364	555 919	510 364
Cell Allowance	9 600	9 600	9 600	9 600
Travel allowance and claims	26 852	114 990	26 852	114 990
Contributions to UIF, medical and pension funds	127 883	93 388	127 883	93 388
Subsistence	121 271	327	121 271	327
Back pay	105	13 179	105	13 179
	841 629	741 848	841 629	741 848
Remuneration of Head of Planning and Tourism				
Annual remuneration	454 196	407 673	454 196	407 673
Cell Allowance	12 175	15 957	12 175	15 957
Leave pay	74 589	-	74 589	-
Housing Allowance	26 400	26 400	26 400	26 400
Contributions to UIF, medical and pension funds	132 624	101 814	132 624	101 814
Travel allowance and claims	234 603	195 354	234 603	195 354
Back pay	30 094	13 179	30 094	13 179
Acting allowance	105 915	6 843	105 915	6 843
	1 070 596	767 220	1 070 596	767 220
Remuneration of Head of Water and Sanitation				
Annual remuneration	-	110 594	-	110 594
Cell Allowance	-	4 000	-	4 000
Performance Bonus	-	22 119	-	22 119
Contributions to UIF, medical and pension funds	-	25 337	-	25 337
Housing allowance	-	3 435	-	3 435
Travel allowances and claims	-	69 806	-	69 806
Subsistence allowance	-	296	-	296
Back pay	-	-	-	-
Acting allowance	-	87 458	-	87 458
	-	323 045	-	323 045
Chief Executive Officer – Development Agency				
Basic Salary	444 720	420 000	-	-
Travel Allowance	144 000	108 000	-	-
Cell Phone Allowance	10 200	10 200	-	-
	598 920	538 200		

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Notes to the Consolidated Annual Financial Statements (continued)

	Consolidated 2010 R	2009 R	Municipality 2010 R	2009 R
24. Remuneration of Councillors				
Executive Mayor	384 616	351 245	384 616	351 245
Deputy Mayor, Speaker and Exco members	1 137 853	949 991	1 137 853	949 991
Councillors	948 386	1 035 429	948 386	1 035 429
	2 470 855	2 336 665	2 470 855	2 336 665
The Executive Mayor, Deputy Executive Mayor, Speaker and Executive Committee Members are full time. Each is provided with computer equipment at the cost of the Council.				
The Executive Mayor has been provided with two offices and three secretarial staff at the cost of the Council.				
The Executive Mayor has use of the Council owned vehicle for official duties. The Executive Mayor has three full time drivers.				
25. Finance Costs				
Bank	23 966	-	23 966	-
Other interest paid	1 985 267	3 804 533	1 985 267	3 804 533
	2 009 233	3 804 533	2 009 233	3 804 533
26. Bulk Purchases				
Electricity	4 148 131	2 978 568	4 148 131	2 978 568
Water	48 079 326	40 595 780	48 079 326	40 595 780
	52 227 457	43 574 348	52 227 457	43 574 348
27. Contracted Services				
Other Contractors – Office Equipment	120 249	3 779 473	120 249	3 779 473
28. General Expenses				
Accounting fees	1 914 373	2 581 780	1 788 449	2 487 944
Advertising	2 918 175	2 123 920	2 738 292	2 065 267
Assessment rates & municipal charges	-	421 390	-	421 390
Auditors remuneration	372 512	95 250	325 044	-
Bank charges	335 383	305 208	328 888	299 749
Cleaning	160 878	171 921	160 878	171 921
Consulting and professional fees	575 578	233 951	537 949	227 841
Electricity – schemes & buildings	5 145 093	-	5 145 093	-
Entertainment	2 874 609	3 297 974	2 874 609	3 297 974
Community development and training	1 312 616	2 317 113	1 312 616	2 317 113
IT Expenses	475 572	218 382	464 954	198 103
Lease rentals and operating leases	-	1 138 943	-	1 138 943
Insurance	1 333 039	1 110 493	1 333 039	1 110 493
New connections	254 694	-	254 694	-
Promotions and sponsorships	453 427	386 869	453 427	386 869
Project Costs	1 817 853	2 999 204	-	-
Levies	422 796	7 604	422 796	7 604

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Notes to the Consolidated Annual Financial Statements (continued)

	Consolidated 2010 R	2009 R	Municipality 2010 R	2009 R
28. General Expenses (continued)				
Fuel and oil	1 402 854	2 492 780	1 402 854	2 492 780
Postage and Courier	4 236	6 481	513	4 979
Printing and stationery	724 925	231 285	706 696	205 270
Protective clothing	-	79 592	-	79 592
Security	1 361 506	1 122 023	1 351 214	1 122 023
Staff welfare	52 240	37 599	52 240	37 599
Subscriptions and membership fees	234 630	152 069	221 876	152 069
Telephone and fax	2 762 327	1 239 558	2 579 870	1 127 498
Training	193 346	152 483	165 614	124 757
Tourism development	534 860	957 732	534 860	957 732
Development agency	-	-	-	649 539
Subsistence & travelling	3 873 533	3 233 443	3 833 680	3 165 621
Disaster management	5 681 016	4 874 052	5 681 016	4 874 052
Small tools	5 562	11 275	5 562	11 275
Asset Disposal	-	(3 648 479)	-	(3 648 479)
Chemicals and diesel	593 176	541 658	593 176	541 658
Other expenses	3 374 457	2 647 972	3 122 958	2 594 680
	41 165 266	31 541 525	38 392 857	28 623 856

29. Cash generated from operations

(Deficit)/ Surplus for the year	(7 117 498)	43 979 896	(8 315 766)	46 857 150
Adjustments for:				
Depreciation and amortization	48 013 514	57 151 097	47 998 606	57 146 678
Assets transferred	-	40 618 068	-	40 618 068
Interest received	(836 352)	(2 556 636)	(809 458)	(2 488 063)
Finance costs	2 009 233	3 804 533	2 009 233	3 804 533
Taxation	9 700	19 200	-	-
Changes in working capital:				
Inventories	854 438	604 455	854 438	604 455
Other debtors	4 818 474	3 588 174	4 818 474	3 564 373
Consumer debtors	18 690 534	4 457 704	18 690 534	4 457 704
Prepayments	142 278	(142 278)	142 278	(142 278)
Trade and other payables	(5 999 107)	129 286 31	(2 955 191)	9 835 060
VAT - receivable	1 373 159	16 809 444	1 373 159	17 037 579
VAT - payable	580 931	-	-	-
Unspent conditional grants and receipts	20 607 973	(14 689 679)	20 607 973	(14 689 679)
Provisions	412 406	1 676 509	412 406	1 676 509
	83 559 683	168 249 118	84 826 686	168 282 089

30. Commitments

Authorised capital expenditure:

Approved and contracted for				
Infrastructure	120 225 023	94 098 727	120 225 023	94 098 727
Community	4 770 702	19 200 000	4 770 702	19 200 000
Other	32 009 275	20 923 273	32 009 275	20 923 273
	157 005 000	134 222 000	157 005 000	134 222 000

The commitments will be funded through the utilization of the Municipal Infrastructure Grants (MIG).

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Notes to the Consolidated Annual Financial Statements (continued)

	Consolidated 2010 R	2009 R	Municipality 2010 R	2009 R
30.1 Operating Leases				
At the reporting date the entity has outstanding commitments under operating leases which fall due as follows:				
Operating leases – lessee				
Within one year	21 166	3 579	3 579	3 579
In second to fifth year inclusive	54 848	5 666	2 088	5 666
After five years	-	-	-	-
Total	76 014	9 245	5 667	9 245
Operating Leases consists of the following: Operating lease payments represent rentals payable by the municipality for certain of its office equipment. Leases are negotiated for an average term of three years and the rentals are fixed for three years. No contingent rent is payable.				
31. Contingencies				
Litigation claims have been brought against the municipality to the approximate value of R 350,000, and are detailed as follows:				
The Municipality is being sued for consulting services by BV Engineering Consultants KZN (Pty) Ltd. The matter is defended and pleadings have been closed.	90 000	-	90 000	-
The Municipality is being sued in respect of goods sold and delivered by DPI Ichweba (Pty) Ltd. The matter is being defended.	70 000	-	70 000	-
The Municipality is being sued by Zephania Khoza in respect of damages arising out of a motor vehicle accident. The matter has been defended.	60 000		60 000	
The Municipality is being sued, together with five other defendants, by CB Ellis Mass Appraisal Services (Pty) Ltd for property appraisal services. The matter is defended, but no plea has been entered into by the Municipality	1 300 000		1 300 000	
	1 520 000	-	1 520 000	-
Staff back pay – Agreement between SALGA, IMATU and SAMWU not approved by the General Secretary of the South African Local Bargaining Council.	509 218	-	509 218	-
Total Contingent Liability	2 029 218		2 029 218	

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Notes to the Consolidated Annual Financial Statements (continued)

	Consolidated 2010 R	2009 R	Municipality 2010 R	2009 R
32. Related parties				
Municipal Entity - Umhlosinga Development Agency				
Expenses paid on behalf of related party				
Telephone expenses			152 812	94 370
Salary costs of seconded Chief Operating Officer			603 027	55 169
			755 839	149 539
33. Correction of prior period errors				
The comparatives for 2009/10 have been restated in respect of the following:				
33.1 Errors arising in accounting for unspent grants				
Unspent grants as previously reported	-	(11 276 705)	-	(11 276 705)
Reclassification of operational expenditure previously classified as grant expenditure	-	(16 219 449)	-	(16 219 449)
Recognition of interest received not previously previously included in unspent grants	-	(26 672)	-	(26 672)
Recognition of grant revenue in respect of conditions met	-	427 628	-	427 628
Reclassification of water income incorrectly included in unspent grants	-	140 012	-	140 012
Recognition of grant revenue in respect of bank charges on grant accounts not accounted for in the previous years	-	45 282	-	45 282
Restated balance at 30 June 2009	-	(26 909 904)	-	(26 909 904)
33.2 Errors arising in the accounting for long term loans				
Long term loans as previously reported	-	(13 063 315)	-	(13 063 315)
Accounting for accrued finance charges not capitalized in the previous year	-	(333 014)	-	(333 014)
Reclassification of installment accrued from trade payables to Long term loans	-	(1 228 997)	-	(1 228 997)
Restated balance at 30 June 2009	-	(14 625 326)	-	(14 625 326)
33.3 Errors arising in the accounting for Trade Payables				
Trade payables as previous reported	-	(61 818 526)	-	(60 768 197)
Reclassification of installments accrued from Trade payables to Long term loans	-	1 228 998	-	1 228 998
Creditors invoices incorrectly captured/omitted in the previous year	-	(2 736 967)	-	(2 736 967)
Project cost and PAYE not accrued at year - end	-	(2 233 668)	-	-
Restated balance at 30 June 2009	-	(65 560 163)	-	(62 276 166)

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Notes to the Consolidated Annual Financial Statements (continued)

	Consolidated 2010 R	2009 R	Municipality 2010 R	2009 R
33.4 Errors arising in the accounting for Trade receivables				
Trade receivables as previously reported	-	78 575 012	-	78 575 012
Correcting for invoices incorrectly raised in the previous year but not adjusted	-	(2 809)	-	(2 809)
Correcting for adjustments incorrectly processed to debtors in the previous year	-	(267 710)	-	(267 710)
Restated balance at 30 June 2009	-	78 304 493	-	78 304 493
33.5 Errors arising in the accounting for Revaluation Surplus				
Revaluation surplus as previously reported	-	(336 836 932)	-	(336 836 932)
Reversal of adjustment in respect of deemed cost which should have been credited to accumulated surplus as per Directive 7.	-	345 619 008	-	345 619 008
Reversal of depreciation adjustment in respect of revalued assets which was credited to accumulated surplus in the previous year	-	(8 782 076)	-	(8 782 076)
Restated balance at 30 June 2009	-	-	-	-
33.6 Errors in the accounting for finance leases				
Finance lease liabilities as previously reported	-	-	-	-
Raising lease liabilities in respect of finance leases previously accounted for as operating leases	-	(5 962 864)	-	(5 962 864)
Reclassification of finance lease payments incorrectly classified as operating lease payments	-	3 160 761	-	3 160 761
Restated balance as at 30 June 2009	-	2 802 103	-	2 802 103
33.7 Errors in accounting for property, plant and equipment				
Property, plant and equipment at cost or as previously reported	-	1 072 756 227	-	1 072 703 404
Additions to assets in respect leased assets acquired through finance leases previously accounted for as operating leases	-	5 962 864	-	5 962 864
Additions in respect of infrastructure that was previously written off accumulated against surplus	-	2 329 616	-	2 329 616
Additions in respect of furniture and fittings previously written off against accumulated surplus	-	97 691	-	97 691
Adjustment for Depreciation Replacement Costs	-	140 687 846	-	140 687 846
Adjustment for assets incorrectly accounted for as disposals in 2009	-	3 815 882	-	3 815 882
Adjustment to recognize intangible assets separately	-	(614 787)	-	(614 787)
Restated balance as at 30 June 2009	-	1 225 035 339	-	1 224 982 516

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Notes to the Consolidated Annual Financial Statements (continued)

	Consolidated 2010 R	2009 R	Municipality 2010 R	2009 R
33.7 Errors in accounting for property, plant and equipment				
Accumulated depreciation as previously reported	-	33 258 425	-	33 253 357
Depreciation on leased assets previously accounted for as operating leases	-	3 593 375	-	3 593 375
Depreciation on assets previously written off against accumulated surplus	-	89 270	-	89 270
Adjustment for Accumulated Depreciation Replacement Costs	-	93 791 897	-	93 791 897
Adjustment for Depreciation on Depreciation Replacement costs for the year ending 30 June 2009	-	46 895 949	-	46 895 949
Depreciation on assets incorrectly accounted for as disposals in 2009	-	268 161	-	268 161
Amortisation on intangible assets recognized separately		(594 912)		(594 912)
Restated balance as at 30 June 2009	-	177 302 165	-	177 297 097
33.8 Errors arising in accounting for VAT				
VAT liability previously reported as at 30 June 2009	-	(1 758 441)	-	(1 721 777)
Corrections in respect of debtors invoices not accounted in the prior year – VAT portion	-	(290 362)	-	(290 362)
Corrections in respect of creditors invoices incorrectly raised/omitted – VAT portion	-	3 896 560	-	3 631 761
Restated balance as at 30 June 2009	-	1 847 757	-	1 619 622
33.9 Errors in accounting for deposits				
Deposits as previously reported as at 30 June 2009	-	563 508	-	563 508
Corrections in respect of deposits previously included in Revenue	-	42 341	-	42 341
Restated balance as at 30 June 2009	-	605 849	-	605 849
33.10 Errors in accounting for cash and cash equivalents				
Cash and cash equivalents as previously reported	-	15 138 529	-	13 576 898
Corrections in respect of bank charges and interest not accounted for in the previous year	-	7 930	-	7 930
Restated balance as at 30 June 2009	-	15 146 459	-	13 584 828

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Notes to the Consolidated Annual Financial Statements (continued)

	Consolidated 2010 R	2009 R	Municipality 2010 R	2009 R
33.11 Errors in Accumulated Surplus				
Accumulated Surplus as previously reported	-	655 954 457	-	655 500 151
Adjustments made for:				
Trade and Other payables	-	(3 572 095)	-	(3 572 095)
VAT payable	-	3 338 399	-	3 338 399
Finance lease liability	-	(2 802 100)	-	(2 802 100)
Revaluation reserve	-	336 836 936	-	336 836 936
Other receivables	-	426 658	-	426 658
Consumer debtors	-	2 094 856	-	2 094 856
Unspent grants	-	(15 633 198)	-	(15 633 198)
Property plant and equipment - Cost	-	154 005 335	-	154 005 335
Property plant and equipment – Accumulated Depreciation	-	(145 750 093)	-	(145 750 093)
Cash and cash equivalents	-	7 930	-	7 930
Deposits	-	(42 335)	-	(42 335)
Long term liabilities	-	(1 562 024)	-	(1 562 024)
Project cost and PAYE not accrued at year - end	-	(1 968 868)	-	-
Restated balance as at 30 June 2009	-	981 333 858	-	982 848 420

33.12 Restatement of the Surplus for the year

Surplus for the year as previously reported	-	85 318 355	-	86 226 738
Adjustments made for:				
Service charges	-	1 762 155	-	1 762 155
Government grants revenue	-	(13 142 385)	-	(13 142 385)
Depreciation	-	(48 372 900)	-	(48 372 900)
Impairment loss	-	16 578 720	-	16 578 720
Finance costs	-	(1 251 112)	-	(1 251 112)
Repairs and maintenance	-	1 665 391	-	1 665 391
Bulk purchases	-	(241 876)	-	(241 876)
Contracted services	-	(97 064)	-	(97 064)
Grant expenditure	-	(452 933)	-	(452 933)
Computer expenses	-	92 363	-	92 363
Lease rentals	-	1 245 413	-	1 245 413
Fleet expenses	-	(7 505)	-	(7 505)
Security	-	(83 137)	-	(83 137)
Subsistence and travel	-	(20 338)	-	(20 338)
Chemicals	-	(41 078)	-	(41 078)
Assets expensed	-	240 785	-	240 785
General expenses	-	(892 566)	-	(892 566)
Asset disposals reversed	-	3 648 479	-	3 648 479
Project cost and PAYE not accrued at year - end	-	(1 968 872)	-	-
Surplus for the year as restated	-	43 979 896	-	46 857 150

34. Subsequent events

There have been no significant that have occurred after balance sheet date.

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Notes to the Consolidated Annual Financial Statements (continued)

	Consolidated 2010 R	2009 R	Municipality 2010 R	2009 R
35. Going Concern				
We draw attention to the fact the municipality had incurred a loss of R8 315 766 for the year ended 30 June 2010 and that grants amounting to R47 517 877 were not cash backed at 30 June 2010.				
Notwithstanding the above the consolidated annual financial statements have been prepared on the basis of accounting policies applicable to a going concern as future funding in the form of government grants and subsidies will continue to be received to fund expenditure.				
This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.				
36. Additional disclosures in terms of the Municipal Finance Management Act				
Audit Fee				
Current year subscription/fee	325 044	2 017 061	325 044	2 017 061
Amount paid – current year	(325 044)	(2 017 061)	(325 044)	(2 017 061)
	-	-	-	-
PAYE and UIF				
Current year payroll deductions	6 565 756	5 968 083	6 565 756	5 968 083
Amount paid – current year	(6 565 756)	(5 968 083)	(6 565 756)	(5 968 083)
	-	-	-	-
Pension and Medical Aid Deductions				
Current year payroll deductions	9 570 189	7 433 272	9 570 189	7 433 272
Amount paid – current year	(9 570 189)	(7 433 272)	(9 570 189)	(7 433 272)
	-	-	-	-
VAT				
VAT Receivable	246 463	1 619 622	246 463	1 619 622
	246 463	1 619 622	246 463	1 619 622
37. UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE				
37.1 Unauthorised expenditure				
Reconciliation of unauthorised expenditure				
Opening balance	55 814 558	-	55 468 471	-
Unauthorised expenditure - current year	48 646 287	55 814 558	47 493 659	55 468 471
Approved by Council or condoned	-	-	-	-
Transfer to receivables for recovery	-	-	-	-
Unauthorised expenditure awaiting authorization	104 460 845	55 814 558	102 962 130	55 468 471

UMKHANYAKUDE DISTRICT MUNICIPALITY

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Consolidated Annual Financial Statements for the year ended 30 June 2010

Notes to the Consolidated Annual Financial Statements (continued)

	Consolidated 2010 R	2009 R	Municipality 2010 R	2009 R
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Incident:

Unauthorised expenditure was incurred as a result of over expenditure on the approved budget.

37.2 Fruitless and wasteful expenditure

Reconciliation of fruitless and wasteful expenditure

Opening balance	206 944	-	206 944	-
Fruitless and wasteful expenditure - current year	858 934	206 944	743 202	206 944
Approved by Council or condoned	-	-	-	-
Transfer to receivables for recovery	-	-	-	-
Fruitless and wasteful expenditure awaiting condonement	1 065 878	206 944	950 146	206 944

Incidents:

Opening Balance

Arrear interest incurred on the DBSA loan as a result of non- payment or late payment of the loan installments.

Lease charges incurred on office equipment that was no longer in use.

Payment for accommodation for Kwanaloga games during the 2008/9 financial year, whereas the accommodation was not used.

Interest paid to Suppliers as a result of non or late payment of supplier

Invoices.

Penalties incurred on late payment of VAT

Interest incurred on late payment of VAT and PAYE

Charges incurred on early cancellation of cellphone contract

Balance as at 30 June 2010

206 944	-	206 944	-
498 062	-	498 062	-
116 670	106 944	116 670	106 944
	100 000	-	100 000
128 470	-	128 470	-
47 961	-	-	-
61 193	-	-	-
6 578	-	-	-
1 065 878	206 944	950 146	206 944

37.3 Irregular expenditure

Reconciliation of irregular expenditure

Opening balance	34 016 666	-	34 016 666	-
Irregular expenditure - current year	1 476 258	34 016 666	1 476 258	34 016 666
Approved by Council or condoned	-	-	-	-
Transfer to receivables for recovery	-	-	-	-
Irregular expenditure awaiting condonement	35 492 924	34 016 666	35 492 924	34 016 666

Incidents:

Opening balance

Non-compliance with SCM regulations

Expenditure incurred as a result of contracts not being signed, during the 2008/9 financial year.

Expenditure incurred on Consultants fees for compiling the annual report, without Council approval, and the tender process not being followed.

Balance as 30 June 2010

34 016 666	-	34 016 666	-
1 476 258	-	1 476 258	-
	33 270 753		33 270 753
	745 913		745 913
35 492 924	34 016 666	35 492 924	34 016 666

UMKHANYAKUDE DISTRICT MUNICIPALITY

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Consolidated Annual Financial Statements for the year ended 30 June 2010

Notes to the Consolidated Annual Financial Statements (continued)

	Consolidated 2010 R	2009 R	Municipality 2010 R	2009 R
38. Material Losses				
Electricity Losses				
			kWh	R
Purchased			9 737 397	4 148 131
Sold			(2 759 130)	(1 186 426)
Material Loss			6 978 266	2 961 705

The municipality is licensed by the National Energy Regulator of South Africa (NERSA) to supply electricity in the area.

The municipality is in the process of investigating the cause of the unaccounted units.

Water Distribution Losses

			Kilolitres	R
Opening Inventory			11 557	57 784
Produced			9 615 865	48 079 326
Sold			(2 905 842)	(29 494 301)
Own Consumption			(60 000)	(300 000)
Closing Inventory			(58 516)	(292 581)
Material Loss			6 603 063	18 050 228

The municipality is in the process of investigating the cause of the unaccounted units.

UMKHANYAKUDE DISTRICT MUNICIPALITY
Registration number DC27
Annual Financial Statements for the year ended 30 June 2010

Notes to the Consolidated Annual Financial Statements (continued)

39. Comparison with the budget

The comparison of the Municipality's actual financial performance with that budgeted is set out in below

Description	Original Budget	Budget Adjustment	Final	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of final budget	Actual Outcome as a % of original budget
	R	R	R	R	R	R	%	%
<u>Financial Performance</u>								
Property Rates				744 448		(744 448)	-100	-100
Service Charges	45 393 241	42 439 555	42 439 555	31 617 987		10 825 178	75	70
Investment Revenue	658 750	1 339 472	1 339 472	809 458		530 014	60	123
Transfers recognize-operational	108 174 927	147 424 927	147 424 927	197 791 557		(50 366 630)	134	183
Other own revenue	267 024	1 285 048	1 285 048	703 444		581 604	55	263
Total revenue (Exclude capital transfer & contribution)	154 493 942	192 489 002	192 489 002	231 666 894		(39 177 892)		
Employee costs	58 732 035	57 202 605	57 202 605	49 257 671		7 944 934	86	84
Remuneration for councilors	4 758 650	2 428 090	2 428 090	2 428 090		(42 765)	102	52
Debt impairment	5 000 000	5 480 782	5 480 782	37 098 827		(31 618 045)	677	742
Depreciation & Asset impairment	1 000 000	3 857 812	3 857 812	47 998 606		(44 140 794)	1,244	4,800
Finance Charges	2 865 201	3 050 468	3 050 468	2 009 233		1 041 235	66	70
Material & Bulk purchases	19 393 290	39 657 190	39 657 190	52 227 457		(12 570 267)	132	269
Transfers & grants		1 175 223	1 175 223	4 676 654		(3 501 431)	398	
Other expenditure	59 088 797	79 636 832	79 636 832	44 243 358		35 393 474	56	75
	150 837 973	192 489 002	192 489 002	239 982 661		(47 493 659)		
Surplus/(Deficit)	3 655 969	-	-	(8 315 766)				
Transfer recognized-capital	3 600 000							
Contribution recognized-capital & contributed assets								
Surplus/(Deficit) after capital transfers & contributions	55 969	-	-					

UMKHANYAKUDE DISTRICT MUNICIPALITY

Registration number DC27

Consolidated Annual Financial Statements for the year ended 30 June 2010

APPENDIX A

CONSOLIDATED SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2010

External Loans	Loan Number/Description	Interest Rate	Redeemable	Balance as at 30/06/2009	Redeemed/ Written off during the period	Interest	Balance as at 30/06/2010
<u>LONG TERM LOANS</u>							
DBSA LOAN	100958	10.924%	31/03/2025	13,559,449	2,243,521	1,113,627	12,429,555
				13,559,449	2,243,521	1,113,627	12,429,555
<u>GOVERNMENT LOANS</u>							
DBSA LOAN	12381	13.35%	31/12/2009	1,815,716	1,714,983	65,177	165,910
				1,815,716	1,714,983	65,177	165,910
<u>FINANCE LEASE OBLIGATIONS</u>							
Finance Lease Liability	Canon IR1570	23.93%	30/08/2011	10,040	5,983	1,982	6,039
Finance Lease Liability	Gestetner Server and Software	20.65%	30/09/2013	272,239	79,441	54,129	246,928
Finance Lease Liability	Nashua Hi-path 3800	19.50%	30/10/2011	407,482	218,758	66,310	255,033
Finance Lease Liability	Bizhub 420	16.35%	07/07/2011	169,388	96,482	22,293	95,199
Finance Lease Liability	Bizhub 920	19.50%	07/07/2011	115,948	68,168	18,309	66,089
Finance Lease Liability	Bizhub 350	19.50%	07/07/2011	23,505	14,287	3,667	12,886
Finance Lease Liability	NRB 44368	52.49%	29/10/2010	49,833	52,747	18,730	15,816
Finance Lease Liability	NRB 45689	15.81%	07/07/2011	100,262	68,825	11,841	43,278
Finance Lease Liability	NRB 44371	29.60%	29/10/2010	49,413	45,304	10,104	14,214
Finance Lease Liability	NRB 44369	34.75%	29/10/2010	52,378	49,642	12,679	15,415
Finance Lease Liability	NRB 44367	29.55%	29/10/2010	49,383	45,260	10,079	14,202
Finance Lease Liability	NRB 44373	32.56%	29/10/2010	51,123	47,775	11,553	14,901
Finance Lease Liability	NRB 44372	44.09%	29/10/2010	57,571	57,871	17,941	17,641
Finance Lease Liability	NRB 33625	14.50%	06/12/2010	62,273	46,443	6,440	22,270
Finance Lease Liability	NRB 32019	41.41%	09/11/2010	81,821	77,309	24,616	29,128
Finance Lease Liability	NRB 14593	22.23%	06/12/2010	69,478	54,893	11,166	25,751
Finance Lease Liability	NRB 35034	57.09%	09/11/2010	94,665	98,946	40,220	35,939
Finance Lease Liability	NRB 36189	39.18%	09/11/2010	81,260	75,651	23,046	28,655
Finance Lease Liability	NRB 33826	54.70%	09/11/2010	92,992	95,743	37,720	34,969
Finance Lease Liability	NRB 45572	34.17%	22/01/2011	84,097	69,507	21,706	36,296
Finance Lease Liability	NRB 45376	36.61%	10/01/2011	86,119	72,471	23,907	37,555
Finance Lease Liability	NRB 45377	34.13%	10/01/2011	84,063	69,459	21,671	36,275

UMKHANYAKUDE DISTRICT MUNICIPALITY

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Consolidated Annual Financial Statements for the year ended 30 June 2010

APPENDIX A – (Continued)

CONSOLIDATED SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2010

External Loans	Loan Number/Description	Interest Rate	Redeemable	Balance as at 30/06/2009	Redeemed/ Written off during the period	Interest	Balance as at 30/06/2010
Finance Lease Liability	NRB 45378	39.31%	10/01/2011	88,325	75,813	26,444	38,956
Finance Lease Liability	NRB 45380	39.31%	10/01/2011	61,119	43,434	6,470	24,155
Finance Lease Liability	NRB 42419	36.78%	10/01/2011	86,263	72,685	24,068	37,645
Finance Lease Liability	NRB 45495	34.46%	17/01/2011	84,340	69,860	21,965	36,446
Finance Lease Liability	NRB 45497	50.88%	17/01/2011	97,250	90,677	38,380	44,954
Finance Lease Liability	NRB 45496	34.49%	17/01/2011	84,365	69,895	21,992	36,461
Finance Lease Liability	NRB 45494	23.10%	17/01/2011	74,553	56,668	12,766	30,651
Finance Lease Liability	NRB 44651	43.40%	22/03/2010	54,551	62,619	8,067	-
Finance Lease Liability	NRB 44370	23.12%	29/07/2009	2,947	3,004	57	-
Finance Lease Liability	NRB 28961	48.27%	02/08/2009	15,352	16,284	932	-
Finance Lease Liability	NRB 27376	46.85%	22/07/2009	7,704	8,005	301	-
				2,802,103	2,079,911	631,555	1,353,746
TOTAL EXTERNAL LOANS - DC27				18,177,268	6,038,415	1,810,358	13,949,212

UMKHANYAKUDE DISTRICT MUNICIPALITY

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Consolidated Annual Financial Statements for the year ended 30 June 2010

APPENDIX B

CONSOLIDATED ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2010

New Statutory Name	New Category Name	Sum of Opening Balance	Sum of Additions 2009/2010	Disposals – End of lease contract for finance leases	Work in Progress	Sum of Closing Balance	Sum of Opening Depreciation	Sum of Depreciation 2009/2010	Disposals – end of lease Contract	Sum of Accumulated Depreciation	Sum of Net Book Value 2010
		R	R	R	R	R	R	R	R	R	R
Community Assets	Airports	8,415,000	-	-	-	8,415,000	765,000	50,721	-	815,721	7,599,279
	Community Centre	2,501,939	-	-	-	2,501,939	246,443	83,398	-	329,841	2,172,098
	Public Conveniences	21,062	-	-	-	21,062	5,324	702	-	6,026	15,036
	Security Measures	10,000	-	-	-	10,000	10,000	-	-	10,000	-
	Indoor Sports Facilities	24,609	-	-	-	24,609	407	820	-	1,227	23,382
	Outdoor Sports Facilities	1,289,334	-	-	-	1,289,334	21,312	42,978	-	64,290	1,225,044
Community Assets Total		12,261,944	-	-	-	12,261,944	1,048,486	178,620	-	1,227,105	11,034,839
Infrastructure (including Capital work in progress)	Electricity Supply	2,244,394	-	-	-	2,244,394	570,450	112,092	-	682,542	1,561,852
	Purification Works	94,608,669	-	-	-	94,608,669	23,409,755	6,459,723	-	29,869,478	64,739,191
	Sewerage Pumps	372,600	-	-	-	372,600	175,949	24,814	-	200,764	171,836
	Street Lighting	28,520	-	-	-	28,520	5,799	1,139	-	6,938	21,581
	Water Reservoir and Tanks	605,741,054	-	-	-	605,741,054	61,567,014	17,067,302	-	78,634,317	527,106,738
	Water Supply and Reticulation	461,343,855	40,661	-	76,379,556	537,764,072	71,897,759	20,681,208	-	92,578,968	445,185,104
Infrastructure Total		1,164,339,092	40,661	-	76,379,556	1,240,759,308	157,626,727	44,346,279	-	201,973,006	1,038,786,302
Land and Buildings	Land	9,000	-	-	-	9,000	-	-	-	-	9,000
	Office Buildings	24,032,800	-	-	-	24,032,800	1,962,800	543,131	-	2,505,931	21,526,869
Land and Buildings Total		24,041,800	-	-	-	24,041,800	1,962,800	543,131	-	2,505,931	21,535,869
Other Assets	Air Conditioners	332,607	-	-	-	332,607	186,063	35,209	-	221,272	111,334
	Bins and Containers	440	-	-	-	440	374	31	-	404	36
	Cabinets and Cupboards	735,937	11,650	-	-	747,587	494,161	83,765	-	577,927	169,661
	Chairs	853,480	-	-	-	853,480	493,517	90,464	-	583,980	269,500
	Compressors	41,500	-	-	-	41,500	19,000	3,736	-	22,736	18,764
	Computer Hardware	3,403,718	314,692	-	-	3,718,410	2,209,655	386,749	-	2,596,404	1,122,008
	Fire Equipment	22,395	-	-	-	22,395	5,830	1,493	-	7,323	15,072
	Furniture and Fittings	294,251	3,400	-	-	297,651	186,515	30,769	-	217,284	80,367
	Motor Vehicles	675,115	6,136	-	-	681,251	537,863	73,531	-	611,394	69,857
	Office Machines	1,394,555	42,559	-	-	1,447,114	1,027,772	148,512	-	1,176,284	270,830
	Radio Equipment	34,208	-	-	-	34,208	28,967	1,422	-	30,389	3,819
	Tables and Desks	703,818	-	-	-	703,818	406,401	68,969	-	475,370	228,448
	Telecommunication	20,422	-	-	-	20,422	15,779	3,558	-	19,338	1,084
	Tractors	1,069,873	-	-	-	1,069,873	631,244	137,881	-	769,125	300,748
	Plant & Equipment	626,246	-	-	-	626,246	451,148	37,937	-	489,085	137,161
	Trucks and Bakkies	8,211,991	-	167,902	-	8,379,893	6,381,116	753,446	167,902	7,302,465	1,077,427
Other Assets Total		18,420,556	378,437	167,902	-	18,976,895	13,075,405	1,857,472	167,902	15,100,780	3,876,114

UMKHANYAKUDE DISTRICT MUNICIPALITY

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Consolidated Annual Financial Statements for the year ended 30 June 2010

APPENDIX B – (Continued)

CONSOLIDATED ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2010

New Statutory Name	New Category Name	Sum of Opening Balance	Sum of Additions 2009/2010	Disposals – End of lease contract for finance leases	Work in Progress	Sum of Closing Balance	Sum of Opening Depreciation	Sum of Depreciation 2009/2010	Disposals – end of lease Contract	Sum of Accumulated Depreciation	Sum of Net Book Value 2010
		R	R	R	R	R	R	R	R	R	R
Finance Lease Assets	Office Machines	715,744	-	-	-	715,744	195,576	197,191	-	392,767	322,977
	Telecommunication	493,910	-	-	-	493,910	109,156	164,637	-	273,793	220,117
	Motor Vehicles	188,446	-	(91,602)	-	96,844	157,114	23,320	(91,602)	88,832	8,013
	Trucks and Bakkies	4,564,764	-	(1,019,837)	-	3,544,927	3,131,529	679,119	(1,019,837)	2,790,811	754,116
Finance Lease Assets Total		5,962,864	-	(1,111,439)	-	4,851,425	3,593,375	1,064,266	(1,111,439)	3,546,202	1,305,223
Intangible Assets	Computer Software	614,787	42,656	-	-	657,442	590,285	23,747	-	614,032	43,410
Prior Period Unexplained Error		9,084	-	-	-	9,084	-	-	-	-	9,084
GRAND TOTAL		1,225,650,127	461,754	(943,537)	76,379,556	1,301,557,898	177,897,078	48,013,515	(943,537)	224,967,056	1,076,590,841

UMKHANYAKUDE DISTRICT MUNICIPALITY

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Consolidated Annual Financial Statements for the year ended 30 June 2010

APPENDIX C

CONSOLIDATED SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2010

Category	Cost					Accumulated Depreciation				Net Book Value
	Opening Balance	Additions 09/10	Disposals	Work in Progress	Closing Balance	Opening Balance	Additions 09/10	Disposals	Closing Balance	
	R	R	R	R	R	R	R	R	R	R
Airport	8,415,000	-	-	-	8,415,000	765,000	50,721		815,721	7,599,279
Municipal Manager	25,868,767	-	-	-	25,868,767	3,499,304	659,960		4,159,264	21,709,503
Board General	365,071	55,087	-	-	420,158	198,894	39,209		238,103	182,055
Community	1,369,945	54,316	-	-	1,424,261	26,377	59,989		86,366	1,337,893
Corporate Services	10,456,441	172,419	(943,537)	-	9,685,323	5,149,228	1,420,867	(943,537)	5,626,558	4,058,765
Financial Services	3,666,427	29,342	-	-	3,695,769	2,793,441	349,605		3,143,046	552,723
Planning & Tourism	730,188	30,364	-	-	760,552	557,865	69,011		626,876	133,676
Technical Services	766,624	46,317	-	-	812,941	457,738	93,906		551,644	261,297
Development Agency	100,313	-	-	-	100,313	40,623	16,296		56,919	43,394
Sanitation	46,784,231	-	-	-	46,784,231	14,704,672	4,069,135		18,773,807	28,010,424
Water	1,127,065,213	56,740	-	76,379,556	1,203,511,508	149,698,868	41,169,908		190,868,777	1,012,642,731
Prior Period Error	9,084	-	-	-	9,084	-	-	-	-	9,084
Umhloosinga Development Agency	52,823	17,169	-	-	69,992	5,068	14,906	-	19,974	50,018
TOTAL	1,225,650,127	461,754	(943,537)	76,379,556	1,301,557,899	177,897,078	48,013,513	(943,537)	224,967,054	1,076,590,843

UMKHANYAKUDE DISTRICT MUNICIPALITY

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Consolidated Annual Financial Statements for the year ended 30 June 2010

APPENDIX D

CONSOLIDATED SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE

2009 Actual Income	2009 Actual Expenditure	2009 Surplus/(Deficit)		2010 Actual Income	2010 Actual Expenditure	2010 Surplus/(Deficit)
R	R	R		R	R	R
207,213,072	33,782,472	173,430,600	Board and General	105,928,171	17,849,912	88,078,259
-	10,443,739	(10,443,739)	Corporate Services	550,949	13,593,490	(13,042,541)
22,046,649	10,016,637	12,030,012	Technical Services	77,609,878	6,831,547	70,778,331
332,359	6,925,474	(6,593,115)	Social Economic Development	2,794,369	6,606,786	(3,812,416)
6,274,899	49,395,668	(43,120,768)	Financial Services	3,455,141	63,699,687	(60,244,546)
43,904,853	111,400,130	(67,495,277)	Water Services	41,053,133	117,539,832	(76,486,699)
382,602	11,333,164	(10,950,562)	Community Services	275,252	13,861,407	(13,586,155)
2,018,418	4,985,672	(2,877,255)	Umhlosinga Development Agency	6,138,596	4,940,326	1,198,269
282,172,852	238,192,956	43,979,896	TOTAL	237,805,489	244,922,987	(7,117,498)

UMKHANYAKUDE DISTRICT MUNICIPALITY

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Consolidated Annual Financial Statements for the year ended 30 June 2010

APPENDIX E

GRANT FUNDING – 30 JUNE 2010

Description	Balance as at 30 June 2009	Contributions during the Year	Transfers In	Transfers Out	Transferred Adjustment	Operating Expenditure during the year	Capital Expenditure during the Year	Closing Balance
	R	R	R	R	R	R	R	R
PIMMS/NDT Operating Grant	(300)	-	-	-	-	-	-	(300)
FMG Grant	-	(750,000)	-	-	-	472,813	-	(277,187)
MAP Grant	-	-	-	-	-	-	-	-
Capacity Building Grant	(784,000)	-	-	-	-	-	-	(784,000)
Development Agency Grant	(621,456)	-	-	-	-	-	-	(621,456)
IDP Grant	(47,458)	-	-	-	-	47,458	-	-
Shared Services Grant	(2,843,311)	(637,000)	-	-	-	1,203,406	-	(2,276,905)
Debt Collection Grant	(2,452,372)	-	-	-	-	1,133,846	-	(1,318,526)
Umnqobokazi Sportfield	-	-	(272,175)	-	-	13,931	-	(258,244)
Qongwana Sportfield	(180,900)	-	-	-	-	180,900	-	-
Kwazibi National Lottery	(166,667)	-	-	-	-	-	-	(166,667)
Mqobela National Lottery	(166,666)	-	-	-	-	-	-	(166,666)
Mabibi National Lottery	(166,667)	-	-	-	-	-	-	(166,667)
Mtuba Water Conservation	(718,356)	-	-	-	-	194,046	-	(524,310)
Kwazibi Water Purification	(915,000)	-	-	-	-	-	-	(915,000)
KwaJobe – Cezwana	(787,880)	-	-	-	-	-	-	(787,880)
KwaJobe – Nongowoza	(915,000)	-	-	-	-	-	-	(915,000)
Bazaneni River Water	(756,400)	-	-	-	-	-	-	(756,400)
Disaster Management Grant	(275,252)	-	-	-	-	275,252	-	-
Department of Transport	(200,000)	-	-	-	-	200,000	-	-
Growth and Development	(100,000)	-	-	-	-	-	-	(100,000)
Corridor Development	(1,195,000)	-	(12,000,000)	12,000,000	-	-	-	(1,195,000)
LED Capacity Building	(138,038)	-	-	137,172	-	866	-	-
Opportunities for Local	(322,623)	-	-	321,854	-	769	-	-
LED Institutional Affairs	(220,884)	-	-	220,039	-	845	-	-
MSIG	(604,018)	(735,000)	-	-	-	1,339,018	-	-
Intergovernmental Relations	-	(500,000)	-	-	-	-	-	(500,000)
Support and Development	-	(600,000)	-	-	-	81,138	-	(518,862)
Expanded Public Works	-	(356,150)	-	-	-	240,400	-	(115,750)
Lake Tete	(267,001)	-	-	-	-	-	-	(267,001)
Kwadapha	(578,891)	-	-	-	-	-	-	(578,891)
Vukukhanye Mashaba	46,108	-	-	-	-	-	-	46,108
Nyezi Community HIV	(303,570)	-	-	-	-	-	-	(303,570)
Umkhombe Tours	(908,690)	-	-	-	-	-	-	(908,690)

UMKHANYAKUDE DISTRICT MUNICIPALITY

Registration number DC27

Consolidated Annual Financial Statements for the year ended 30 June 2010

APPENDIX E – (Continued)

GRANT FUNDING – 30 JUNE 2010

Description	Balance as at 30 June 2009	Contributions during the Year	Transfers In	Transfers Out	Transferred Adjustment	Operating Expenditure during the year	Capital Expenditure during the Year	Closing Balance
	R	R	R	R	R	R	R	R
Waste Management	(200,00)	-	-	-	-	-	-	(200,000)
Enkanyezini Water	26,892	(12,093,259)	-	-	3,000	-	12,132,635	69,267
Esihlangwini Water	32,636	(410,775)	-	-	-	-	410,775	32,636
Ezibayeni Sanitation	534,167	-	-	-	-	-	-	534,167
Jozini Water Treatment	227,270	-	-	-	-	-	-	227,270
Mabhokisini Water	157,798	-	-	-	-	-	-	157,798
KwaNgwanase Water	(226,691)	(20,482,664)	-	-	-	-	20,712,068	2,713
Mtuba Sportfield	5,019	(5,778,663)	-	-	(5,019)	-	5,778,663	-
Mtuba Water Upgrade	(13,197)	-	-	-	-	-	-	(13,197)
Ntshongwe Malobeni Water	490,431	(1,281,313)	-	-	-	-	1,281,313	490,432
Othobothini Water	(139,643)	(4,458,010)	-	-	-	-	4 299 791	(297,862)
Phelandaba Sanitation Phase 2	-	(11,264,709)	-	-	-	-	11,264,709	-
Phelandaba Water	69,791	(548,826)	-	-	-	-	548,826	69,791
Phumlani Storm Water	-	(1,133,958)	-	-	-	-	1,168,685	(34,727)
Shemula Sanitation	(6,330)	(9,962,815)	-	-	-	-	9,962,815	(6,330)
Mpopomeni Water Supply Phase 2	334,164	(8,581,289)	-	-	-	-	8,933,181	(686,056)
Hluhluwe Phase 3	8,408	(2,954,256)	-	-	-	-	2,896,458	(49,390)
Ezibayeni Water supply Phase 2	41,677	(2,590,599)	-	-	(5,019)	-	2,614,810	(60,868)
Makhasa Sport Complex	(55,264)	(3,239,302)	-	-	-	-	3,239,302	(55,265)
Mtuba Ward 2 Community Hall	-	(175,781)	-	-	-	-	-	(175,781)
PMU Fees	-	(1,616,288)	-	-	-	1,616,288	-	-
MIG Reserve	(11,606,736)	(22,775,049)	-	(327,126)	-	-	-	(34,708,911)
	(26,909,902)	(112,925,707)	(12,272,175)	12,351,939	(7,038)	7,000,976	85,244,030	(47,517,877)

2009/2010

Annual Report

UMHLOSINGA DEVELOPMENT AGENCY



AX Gericke

Chief Executive Officer

2009/2010



*"Opportunity
through Development"*

mobile: 083 608 5847

tel: 035 550 3080

fax: 035 550 3088

www.umd.a.org.za



The Company

Vision

An Inclusive, Thriving District Economy That Directly Benefits All The Communities And Residents Of The UMkhanyakude District Municipality.

The Mission

To Plan, Manage And Coordinate The Implementation Of A Locally-Driven Program To Fast-Track The Development Of The Economy Of The District Of UMkhanyakude

Objectives

- Foster local action to *remove barriers and blockages* to equitable and sustainable growth and development of the local economy.
- Facilitate simultaneous and *parallel donor, public and private investment* to the district economy for maximum socio-economic development impact.
- Broaden and *diversify participation* in the district economy to reverse economic and social exclusion.
- Develop robust institutional *partnerships, linkages and networks* to support and optimize development interventions.

Mandate

Purpose of the UMDA

- To act as *an agent for and on behalf of the Municipality* as for the purposes of implementing economic, social and environmental policies and projects, as identified by or agreed with the District and local Municipalities of UMkhanyakude;
- to *co-ordinate the implementation of a sustainable*, long and short term District Development Program; including its spatial, economic, social and environmental dimensions, it's regulatory, budgetary, financial and legal implications and its social and economic consequences;
- to *conduct a regular communications program* to all stakeholders;

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- to provide the District of UMkhanyakude with a ‘one-stop’ contact point for access to possible development funding or technical assistance, as well as information on the priorities and consequences of the implementation of the UMkhanyakude District Development Program;
- to *acquire, own and manage land and buildings, and/or rights to land and buildings*, on behalf of the District Municipality of UMkhanyakude, to be used: for economic and social development purposes; for public service, public infrastructure, educational, health and cultural purposes, and to prepare and equip such property as needed to fulfil the development needs of the public infrastructure; and for cultural, nature or wildlife conservation purposes
- to *launch, manage and monitor any study* that may be necessary to further its objectives;
- to *collect income; raise, receive and hold funds; or receive guarantees, from any lawful source, for the purposes of the Agency*, and to manage, administer and disburse those funds in pursuance of the objects of the Agency and for administrative purposes, in accordance with terms and conditions determined by the Umhlosinga Development Agency Pty(Ltd) and approved by the Municipality of UMkhanyakude;
- to *act as receiver, manager and/or co-coordinator on technical assistance* or development funding programs provided to the district and local Municipalities of UMkhanyakude by donor, non-governmental or governmental institutions; and
- to *conduct and operate any financial assistance, subsidy or incentive program for any lawful purpose, to exercise legal rights* delegated by the Municipality of UMkhanyakude, including:
 - right of first refusal
 - right of expropriation
 - right of litigation
- *Right of definition of zoning areas, building and site management rules* and urbanistic and architectural codes.

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Chairman of the Board of Directors

UMhlosinga Development Agency-uMkhanyakude. District

Chairman's annual report for the year 2009/2010 –

Rev. Dr. H.A. Fakude

Once again, we have come towards the end of our activity year. We thank the Almighty God for His tender loving care, who in His infinity has spared us continued lease of life, which us a time to fulfil our obligations.

During the year under review, the world was invaded by an infamous recession that threatened nations with socio-economic collapse. The South African government is to be highly commended for having kept its cool and precariously weathered the storm.

Milestones

Apart from the Agency's stated ongoing Projects viz. Tshaneni Regional Airport. Jozini Hydro Energy; Elephant Coast Tourism Route etc ; the Agency has ventures into the following new projects:-

- *Uhlaza Housing Development - Mkuze*

UMDA has played a pivotal role of putting together this project on a facilitation role. The R850 million ventures include 1300 medium level housing; 300 government rental units, a 60-bed Clinic, and a 60 000 square meter retail commercial and industrial hub. The turning of sod marked the envisaged transformation of the otherwise "sleepy" Mkuze Village into an economic hub which will take care of the acute shortage of accommodation-especially for government employees whilst also providing much needed health facility as well as prospective business and also employment opportunities for the area. The project will directly compliment the Airport.

- *Two Development Agencies Find Each Other.*

In an ice-breaking initiative, the district agricultural sector saw the Mjindi and Umhlosinga Agencies come together to find a common ground in the sphere of agrarian development. The first ever, meeting of the two agencies formed a own aside Action Committee comprising Mr.

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Zama Ngcobo (Mjindi) and Mr. Alroy Gericke (UMDA) with latitude to co-opt any expertise they would deem appropriate. This will culminate into the signing of a Memorandum of Understanding which will go a long way in both agencies speaking with one voice and eliminate parallel development, resulting in duplication, competition, and sometimes friction and conflict of interests.

- *UMkhanyakude Chamber of Commerce*

Umhlosinga has spearheaded its initiative of establishing the first ever; local Chamber of Commerce for UMkhanyakude. A seven-member chamber has been established with Mr. Simo Mhlongo elected as its first President, and it is hoped that the chamber will consolidate the commercial muscle of local business and industry within its area of operation.

- *Umhlosinga Agency Is A Role Model*

My Board, Management and Staff; have reason to walk tall; for having achieved a “role model” status ahead of many older Agencies in South Africa. The I.D.C has referred many prospective new agencies to liaise with us for a pre-establishment orientation; and I refer to the UMzinyathi, UMgungundlovu and Welkom district municipalities will follow the same direction. It is left for me to intimate to my colleagues, Management and Staff; how proud I am to be associated with the on this onerous mission. We are also proud of upholding our unqualified Audit Reports.

- *Vacancy on the Board*

Earlier this year; we placed an advert in local newspapers, calling for applications to fill the vacancy of the seventh Board member; created by the resignation of our capable – Craig Rutherford have submitted CVs of applications and requested the Parent Body to make an appointment; preferably a female; so that we may adjust the gender consideration. It is the prerogative of the Mayor to make an appointment of a Board member; on behalf of the Parent Body.

- *Unemployment Data Base*

Last year; we announced that a Data Base had been established and kept in all local councils ; for all unemployed job seekers within the district; to collect and fill-in the forms that will enable the Agency to analyze the extent and seriousness of unemployment with a view to assist in

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compiling standard CVs; interviews exposition; and mostly to encourage local job providers to give preference to the local skills. Our job-seekers are forced to migrate to cities like Richards Bay and Durban; where most of them do not succeed in any job. There is something sinister though; when you find an “import” of employees taking up local jobs; especially in the district and local municipalities as well as government institutions such as Magistrate courts hospital, and other departments. Please “ mazidle ekhanya”.

- *Tribute To The Out-going Mayor –Cllr. L.M Mthombeni*

After learning of a reshuffle on the District Council; I; on behalf of the Board; Management and Staff, I should wish to pay special tribute to our out-going Mayor – Ubaqa Alderman L.M. Mthombeni, who always so to it that his brain-child of establishing Umhlosinga Development Agency; was a worthwhile initiative. His Worship UMagagula through maximum sense of belonging; which turn inspired us to crave for excellence. We wish you well-baba; in your new position of UMkhanyakude Council-Speaker of the house. By the same taken I should wish to congratulate Cllr. M.C. Zungu (Mayor General) for his election to the helm of the fold; and hoping that; under his baton; we shall continue to enjoy parental guidance that will inspire and help us to; best deliver on our mandate.

- *Agency Borsberand*

On the 18th and 19th November 2010; the Agency shall retreat for a brainstorming exercise to review its tasks; introspecting its strengths, weaknesses, threats and general performance assessment. Some particular attention will be paid on inhibiting factors; such as late-payments of Grant Funding; Parent Body often failure to meet its financial obligations to the Agency. We ascribe; however to the principle that “it matters not; how the situation may seem inconveniencing-but how better; it could be turned around”

- *Festive Season*

In conclusion may I take this opportunity to wish our Parent body; the district citizens; my Board of Directors; our CEO? ; Management and Staff; an uneventful time- off with their families and beloved ones; and a very merry Christmas and industrious 2011. We shall treasure that “Unto us – a child is born”

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May the good Lord; bless and keep us; well into the future – with better things to come. I thank you.

CHIEF EXECUTIVE OFFICER REPORT

The past year has been a *watershed year* for the company and the shareholder the completion of the two business plans for the Airport and Jozini Hydro. The submission of these to the EXCO meant that we now can move forward in making these projects a reality. The past financial year was highlighted by engagements with a variety of stakeholders to ensure that the two projects see the light of day.

Due to some delays beyond our control we still managed to engage potential investors, developers and new product designers. These engagements led to the 1st investment dinner on March 18th and the result was the birth of the *UHLAZA Property Development*. This potential R750m property development will have a very positive outcome on the economy of the District.

The Property development is to provide 1200 residential middle and upper middle income housing to the vast population in the region looking for decent and safe housing. The main focus of this project will be to provide affordable housing the ever increasing middle class in the district as a result of economic growth and the expansion of Provincial Government departments to the District. The development will see the establishment of a 20 000m² retail and 60 light industrial sites this will be complemented by a University satellite Campus and private clinic.

The *MoU* that was negotiated between the developer and the UMDA will see four areas of importance covered. The *first part of the MOU is that of Economic Development* through the provision of proper housing in what is one of the Districts most scenic towns. The economic development goes beyond that and will see actual procurement of materials and services done locally in either the Municipality area, District or Province. The *second part of the MoU* cover the very important aspect of keeping our building industry strong and as current project whine down the developer will start to *employ the building contractors* that are available. The *third aspect is*

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that of Business creation in this instance we will see the preferred procurement and setting up of local businesses, in a few instances new business.

The *forth and last aspect is with regards to the sustainability of the UMDA*, in this regard the Developer will provide Grand Funding against a business plan to the UMDA, this funds will be generated as a % of each property sold. The income from such an agreement will see the UMDA having funds to sustain itself from 2013-2020.

Renewable Energy and the creation of an environment to generate this form of electricity are high on the agenda of the UMDA and will see us facilitating Public Private Partnerships in the course of the next financial Year. The delay caused in the last financial Year was based on the factor that the NERSA legislation had to be finalised following the President Jacob Zuma's State of the Nation address that paved the way for independent energy providers. The UMDA is now finalizing the TOR for a District wide Renewable Energy program that will be advertised in the first quarter of the new financial year.

Mkuze Airport development is R100m for this kind of development we were advised by the National department of Transport and the CAA to start with operational compliance and marketing. This and resulted in an SLA with the District Municipality. The SLA has made provisions for the UMDA to operate the Airport as a business Unit and as such start to monitor the movements at the Airport in terms of Usage. The CEO introduced Landing fees as of December 1st 2009 and this was welcomed by the Industry. In the first month R700.00 was collected by June this has grown to just under R7000.00, with increased presence and fees structure.

The *Sustainable Community* program has resulted in the identification of several exciting projects that will see the face of the District change forever. They include the Makhathini master Plan Agri-business and tourism endeavours, the Revitalisation of the Rail Line, the development of an entire new Tourism Route.

The UMDA has two main focus Sectors in which it need to facilitate economic growth these are *Tourism and Agriculture*. The tourism sector is currently the major earner in term of economic growth, and as such the transformation of this sector to the PDI community yet ensuring

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sustainable growth is of the utmost importance. There are many successful small entrepreneurs in the Tourism sector mostly self taught and capacitated these people need to be strengthened without being insulted for the work they have done themselves. Economic intervention should be done in a capacity and information sharing environment.

The *UMDA Business Support and Development Program* is the essential tool in this regard and as such has embarked on an interventionist approach through getting businesses compliant with legislation in terms of the company act and the SARS legislation. The business Support and Development Program has made great strides this Year and as such we are now to expand the program to the Entire District. The main focus of the Program is to get the emerging Business Community to become Compliant with Government legislation and to ensure that they are Procurable for any tender or other business opportunity that is presented. The program is therefore in no way in conflict with what is being done by the District and Local Municipalities in terms of LED.

In terms of the overall key performance areas of the UMDA namely *Tourism, Agriculture, Industry, Property development and Business Support*, the UMDA has delivered on its mandate. The projects that we engage on are large in magnitude both on intervention and facilitation, let alone the size of these when they go into practical implementation. It is to be understood that with limited capacity we have been able to align our strategy with the IDP hopes of our district Municipality and so ensure synergy in the long-term development of the District.

The *next financial year* will focus on large scale implementation and practical application of the outcomes of research, legislation and experience. The marketability of the UMkhanyakude District as a viable alternative for economic Development Investment has greatly improved due to the interventions this year by the UMDA. The fact that our parent body and the local Municipalities are increasingly finding the value of the UMDA is very encouraging and as such make the UMkhanyakude District a strong contender for investment capital.

I would like to thank the mayor of UMkhanyakude district Municipality *His Worship Cllr, LM. Mthombeni* and EXCO of the UMkhanyakude District Municipality for the Trust and support, in the process of transformation of a Stagnant Economy to one that is moving to a vibrant

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alternative for Investors. The stability that has been the core of the political Landscape of the District from all parties has greatly enhanced the viability for investment.

The challenges of Poverty, Water and HIV will be with us for some time to come but these should not be seen as reasons for none development but should lead us to avenues of creative development.

The *challenge of economic development* within the Local Government Legislation will continuously be hampered by the inability of clear economic Development support from the Treasury and National government. The Policies for economic development are great in principle but the perception that economic development will be driven through Government interventions is fruitless and should not be promoted unless we want to open ourselves for unqualified criticism. The development of Local Economies is in the hands of the private sector and through creating a sustainable environment for economic activity local Government will be able to support this initiative. The UMDA as an agent of the District Municipality is creating catalyst in the Economy but it will be at the mercy of the economic behaviour of the private sector that will determine the success and sustainability of these initiatives.

I would like to thank my counterpart and colleague the acting Municipal Manager of the UMkhanyakude district municipality for his sincere guidance and support. That *Mr Siph Mathobela* that even under extreme pressures of your own position you gave good attention to the UMDA and the CEO to ensure sustainable growth in both our organisations.

I would like to express my sincere gratitude to the *Chairman of the Board Rev, Dr HAS Fakude*, you have and will always be an inspiration to the rest of us your strong and wise leadership is of great value to me. To the board of directors I would like to thank you for the trust and support and in many cases your guidance and leadership.

Finally to the Chief Operations Officer Miss JK Bhengu and *my staff* you count amongst the best in the business and without your support and discipline the UMDA would be another toothless expenditure. I would like to indicate that your willingness to grow, learn and creativity should be the core of your future work.

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The people of our *Great District* I would like to ensure you that we will change the landscape of our Mother UMkhanyakude and our children like us will live, work, play and worship in one place. We will actively and proactively increase our opportunities to ensure growth in our economy and place in the world.

Performance Statement

The UMDA Financial Year 2009\2010 was one of *defining the development direction of the District* as a whole, and as such the achievements in this year will reflect the strengthening of the programs of intervention to achieve the most effective Economic growth.

See Annexure A: Service Delivery Report

Directors Report

See Annexure B: Annual Financial Statement

See Annexure C: Auditor General's Report

The way forward

The UMDA is facing the new financial year with great pressure as the delivery of the Route 22 project and the Construction and development of the Tshaneni Airport becomes vital in terms of the future of the economic footprint that we want to establish.

The 5 programs of economic intervention in our district will be perused in the coming financial year and with new Partners and Stakeholders on the horizon we believe we will move yet closer to achieving the goals set out by the Mandate of the UMDA.

The following Table expresses the way forward for us in the Next financial Year

See Annexure D:

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Annexure A

CEO UMDA Milestones to date as on June 30 2010					
Project or Key Performance Area	KEY PERFORMANCE INDICATOR	OUTCOME	OVER an ABOVE KPI	TIME LINE	DATE
Corporate Governance	Appointment Of Acting CEO	started to work as acting CEO on 2nd april 2007		12	2006
Corporate Governance	Application for Interim Additional Operational Budget from UMkhanyakude District EXCO	presented EXCO of DC27 with budgeet and it was to Approved		1	2007
Corporate Governance	Establishment of Operational Office	Open office at Hluhluwe	UMDA office desicnate was not available and the CEO arranged for new location in Hluhluwe with the help of COO and their worships the mayors DC27 and big 5.	3	2007
Corporate Governance	Resubmission of Establishment Budget Application	Due to tha fact that the first Operational application was rejected the CEO and Miss K Bhengu revised the business plan and it was aproved by UMDA Board and DC27 EXCO and IDC Board Approved it for establishment		5	2007
Operations and Sustainability	Meet with IDC and DBSA regarding future business finance in the District	all indications was that the district has a bad reputation for non preformance in terms of Financial controls and expenditure.	the CEO asked for new legence from the DBSA and IDC and was then introduced to the Sustainable Community Program. The CEO then requested the IDC and DBSA to Pilot the Program in the entire UMkhanyakude District. This was subsequintly Aproved	8	2007

Operations and Sustainability	Business retentions and expansion	Held summit with growth fund and TiKZN, DC27	CEO requested the training department of the IDC to train 450 (SMME) emerging businesses. This was done.	4,5	207
Operations and Sustainability	Negotiate Service Level Agreements With UMkhanyakude District for Headline Projects	Agreement on two Service Level Agreements was reached with DC27.		6	2007
Corporate Governance	Advertise Position of CEO.	12 Applicants 4 short listed. CEO appointed 1st January 2008.		11, 12	2007
CEO Relationship Management			Establish and Co-Founder of the IDC Agency CEO forum.		
Corporate Governance	Board recommend current acting CEO as preferred candidate.	EXCO of District approves recommendation of CEO		1	2008
Corporate Governance	Advertise for rest of permanent Staff.	Appoint rest of staff to support establishment of UMDA Reception\Secretary		2,3	2008
Airport & Hydro projects	Finalize service level Agreements for Airport and Hydro Projects	Both SLA in place for the two projects and approved by EXCO of DC27.		2	2008
Airport & Hydro projects	Finalize terms of reference for two Headline Projects Mkuze Regional Airport and Jozini Hydro	GAP analysis to be done on both Project existing information and to formalize a Business plan and Implementation plan.		2,3	2008
Airport & Hydro projects	Compile tender documents for Expression of Interest in collaborations DBSA for both Headline	Sunday Times advert for Mkuze Regional Airport and Hydro projects.		4	2008
Airport & Hydro projects	Tender process and adjudication of applicants for the Expressions of Interest in both Headline projects.	Appoint specialized Consultants to compile GAP Analysis.		4, 5	2008
Operations and Sustainability	Host "Bosberaad" between Board and EXCO to Finalize draft "First Operational Business Plan".	Identification of projects for "First Operational Business Plan"	CEO and COO facilitate the session internally.	5	2008
Operations and Sustainability	Complete Draft Business Plan	Meet IDC Team to complete Business Plan		6	2008
Airport & Hydro projects	Appoint Specialized Service provider to compile and conduct feasibility for two Catalyst projects	Service provider SSI appointed with assistance of DBSA in leveraging Funding.		11	2008
Airport & Hydro projects	Mkuze Regional Airport and Jozini Hydro				

UMDA Milestones

Corporate Governance	Expansion of UMDA Manadete additional staff needed.	Personal Assitant\ Financial officer appointed.		8	2008
Corporate Governance	Unqualified Audit 2007\2008			12	2008
Operations and Sustainability	Cost of Business Plan is in acsess of R4m and not covered by IDC funding alone.		CEO and COO facilitate the Grand funding of R5m for the payment of the Business Plan	6	2009
Corporate Governance	Additional staff Appointed	Accountant and tourism assistant manager.		4	2009
Airport & Hydro projects	Receive Draft Feasibility and business plans for the Jozini Hydro	Indicating a bankable project license application to DWAF and NERSA submitted.		7	2009
Airport & Hydro projects	Receive Draft Feasibility and business plans for the Mkuze Regional Airport	Indicating an economic Catalyst effect to tourism industry but none profitability in medium term. Thus grand funding and 3 year development plan to be submitted.		7	2009
Mkuze Airport	CAA Compliance	Licenece renewed no matters	COO and CEO personaly fit wind Sock to pole after DC27 indicate no staff to do so.	9	2009
	Operations of muze airport	esatablish an agreement with caretaker at airport in terms of collecting fees. Start collecting fees as from 1st December 2009.		12	2009
Operations and Sustainability	Sustainable community Program MOU signed by DC27 , Ingonyama Trust and DBSA	Economic development spear headed by agreement on Pilot of the Sustainable community program in DC27		11	2009
Operations and Sustainability	Sustainable community Program MOU signed by DC27 , Ingonyama Trust and DBSA	Economic development spear headed by agreement on Pilot of the Sustainable community program in DC27		11	2009

Corporate Governance	Sucesfully negotiate with the DC27 EXCO to Opperate from Mtubatuba Property move I July 2009 to 308 ebony Crescent.		Do most of the Structural changes with help from private funders and supporters.	7	2009
Corporate Governance	Unqualified Audit 2008\2009	AG deliver report on the UMDA financial status and compliance with GRAP		12	2009
Corporate Governance		1. Audit and Internal audit			
Corporate Governance		2. Performance management matters			
Mkuze Airport	Operational safty of Airport	Repair Beacon For Safe landing at Airport.			
Opperations and Sustainability	UMkhanyakude District LED Strategy	UMDA instructed to lead the process of review of the District Economic Development Strategy		1	2010
Opperations and Sustainability	Alignment Strategy Workshop with DC27, SED, IDP and Planning Departments	Strategy alignment outcomes to be presented to Municipal Manager Forum of all 6 municipalities for incorporation in District wide SLA with UMDA		3	2010
Airport & Hydro projects	Implementation Plans for Headline Projects	Receive implementation Plans for Jozini Hydro and Mkuze Regional airport		2	2010

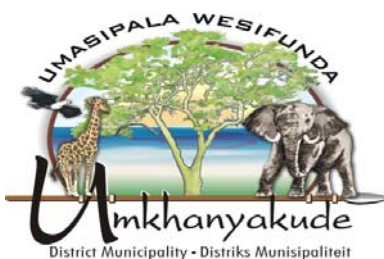
Operations and Sustainability	Launch of 5 th Program of the UMDA	Business Support and Development Program Launched as 5 th program of intervention by the UMDA	negotiate the Pilot of the MTN Business support Centre with Hlabisa Municipality. This was successful and the amount of R2.4m will be paid to the UMDA for establishment of business Support in Hlabisa LM.	1	2010
Operations and Sustainability	Business Support and Development program for DC27.	Initial project funded by the MTN Foundation for Business Support Centre with Business Support Manager and one Administrator.	With the assistance of the BSC Manager and the COO the District wide program was established.		
Operations and Sustainability	Application for RIDS project	Revitalization of Rail commuter transport multi District project from Empangeni to Gollela.	Meet with National Transport Minister Sbu Ndebele to negotiate the feasibility of the rail revitalisation and introduce the UMDA to Him.	2	2010
Operations and Sustainability	Investment Dinner event 2010	Host successful event to Launch & highlight investment opportunities in DC27.		3	2010
Operations and Sustainability	New projects identified to spearhead 2 nd Operational Phase	Makhathini Master Plan		4\5	2010
Operations and Sustainability		1. Royal Elephant Route new destination for tourism development			
Operations and Sustainability		2. Mjindi Agri Hub development of 400ha of Agri processing in vegetables			
Operations and Sustainability		3. MOU with Mjindi Farming			
Operations and Sustainability		4. Mbazwana Abattoir			

CEO Relationship Management	Expansion of UMDA Mandate		Appointed as Member of the Provincial Investment committee.	5	2010
			Facilitate the sale of 110Ha of land for the development of middle income housing at Mkuze town.	4	2010
			Appointed as Member of the Elephant tourism association Board and elected as chairperson.	5	2010
			Negotiate with chairperson of the mjindi farming to joint venture agreement. To be finalized by joint Board Meeting.	5	2010
Tourism Development	Development of the Sustainable Tourism Route.	Presentation by representatives of PAM Golding was done to the Board. Feasibility was ordered by the Board of directors.		3/4	2010
Property Development	Successfully negotiate the Development of the UHLAZA village development at Mkuze	SOD turning was completed in June only two months after project was given to		6	2010
Sustainable Community Progr	Business Chamber of Commerce	Successfully facilitate the establishment of the Umkhanyakude Chamber of Commerce.		6	2010
Corporate Governance	Human Resource development plan was completed by professionals			6	2010
Corporate Governance	Appointed Consultant to look at the VAT compliance.		Outcome still pending if successful it will mean all VAT R1,2m will be paid back to UMDA. Consultant paid on recovery and Risk.	5	2010
Corporate Governance	Audit committee	Negotiate with DC27 for the payment of Internal and External auditors		12	2009
Corporate Governance	Audit committee	Committee only meet once.	After DC27 postpone Audit Committee CEO negotiate with DC27 Audit chair and IDC for separate Audit to ensure MFMA Compliance.	5	2010

UMDA Milestones

Operations and Sustainability	Compile and write 2nd Operational Business Plan for IDC.	Subit business plan to Mr Ornet Nene of IDC on May 12th 2010.		4	2010
Operations and Sustainability	Royal Route	1. MOU with Provincial department Tourism		5	2010
Sustainable Community Progr		2. Delivery of 3 year tourism expansion and Development marketing Plan			
Tourism Development		3. Host of INDABA 2010			
Tourism Development		engage the Consultant of His majesty King Zwelithini with regards to Development of two Large Tourism Products in Umkhanyakude.		6	
Corporate Governance	Risk analysis	Provincial Treasury conduct Risk assessment of The UMDA findings are in favors of the existence of the UMDA, opinion supported by MEC for Corporate Governance and Traditional Affairs as well as Premiers Office and AG.		3	2010

UMhlosinga Development Agency (Pty) Ltd
Registration number: 2004/016608/07
Annual Financial Statements for the year ended 30 June 2010



UMHLOSINGA DEVELOPMENT AGENCY (PTY) LTD ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

I am responsible for the preparation of these annual financial statements, which are set out on pages 3 to 23, in terms of Section 126(1) of the Municipal Finance Management Act, Act 56 of 2003 and the supplementary information on pages 24 and 25 which I have signed on behalf of the municipal entity.

Chief Executive Officer

UMhlosinga Development Agency (Proprietary) Limited

Annual Financial Statements for the year ended 30 June 2010

General Information

Country of incorporation and domicile

South Africa

Nature of business and principal activities

Municipal Entity

Directors

Names:

Appointment Date:

H A S Fakude

19 September 2005

L F Mathenjwa

19 September 2005

W D Eckersley

19 September 2005

L E Mngomezulu

19 September 2005

J L Dodkins

19 September 2005

M Mncwango

19 September 2005

One vacancy

Registered office

21 Klebe Street
Mkhuze
Kwazulu Natal
3965

Business address

Lot 308 Ebony Crescent
Mtubatuba
3935

Auditors

Auditor General South Africa

Company Secretary

N A Mbokazi

Attorneys

Weich & Kriel Inc.

Registered Office:

182 Piet Retief Road
Pongola
3170

Postal Address:

PO Box 266
Pongola
3170

Company registration number

2004/016608/07

Umhlosinga Development Agency (Proprietary) Limited

Annual Financial Statements for the year ended 30 June 2010

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Director's report	6
Statement of financial position	7
Statement of financial performance	8
Statement of changes in net assets	9
Cash flow statement	10
Notes to the annual financial statements	11 – 23

The following supplementary information does not form part of the annual financial statements and is unaudited

Detailed statement of financial performance	24 - 25
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UMhlosinga Development Agency (Proprietary) Limited

Annual Financial Statements for the year ended 30 June 2010

Director's responsibility statement

The directors are required by the Generally Recognized Accounting Practices and Companies Act of South Africa, to maintain adequate accounting records and are responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is their responsibility to ensure that the annual financial statements fairly present the state of affairs of the company as at the end of the financial year and the results of its operations and cash flows for the period then ended, in conformity with Generally Recognized Accounting Practices (GRAP) and South African Statements of Generally Accepted Accounting Practice (GAAP). The external auditors are engaged to express an independent opinion on the annual financial statements.

The annual financial statements are prepared in accordance with Generally Recognized Accounting Practices (GRAP) and South African Statements of Generally Accepted Accounting Practice (GAAP) and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgments and estimates.

The directors acknowledge that they are ultimately responsible for the system of internal financial control established by the company and place considerable importance on maintaining a strong control environment. To enable the directors to meet these responsibilities, the board of directors sets standards for internal control aimed at reducing the risk of error or loss in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the company and all employees are required to maintain the highest ethical standards in ensuring the company's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the company is on identifying, assessing, managing and monitoring all known forms of risk across the company. While operating risk cannot be fully eliminated, the company endeavors to minimize it by ensuring that appropriate infrastructure, controls, systems and ethical behavior are applied and managed within predetermined procedures and constraints.

The directors are of the opinion, based on the information and explanations given by management that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The directors have reviewed the company's cash flow forecast for the year to 30 June 2010 and, in the light of this review and the current financial position, they are satisfied that the company has or has access to adequate resources to continue in operational existence for the foreseeable future.

Although the board of directors is primarily responsible for the financial affairs of the company, they are supported by the company's external auditors.

The external auditors are responsible for independently reviewing and reporting on the company's annual financial statements. The annual financial statements have been examined by the company's external auditors and their report is presented on page 5.

The annual financial statements set out on pages 7 to 23, which have been prepared on the going concern basis, were approved by the board of directors on 31 August 2010 and were signed on its behalf by:

H A S Fakude
(Chairman of the Board of Directors)

Independent Auditor's Report

To the member of Umhlosinga Development Agency (Proprietary) Limited

Emphasis of Matter

Additional text

Other Matters

Additional text

Report on Other Legal and Regulatory Requirements

Additional text

Additional information

Auditor General

Per:
31 August 2010

Umhlosinga Development Agency (Proprietary) Limited

Annual Financial Statements for the year ended 30 June 2010

Director's report

1. Incorporation

The company was incorporated on 17 June 2004 and obtained its certificate to commence business on the same day. The company was originally incorporated under the name Maxitrade 42 General Trading (Proprietary) Limited and changed to Umhlosinga Development Agency (Proprietary) Limited on the 04 July 2006, and remained dormant until 01 January 2008 where the establishment phase commenced.

2. Review of activities Main business and operations

The company is engaged in acting as an agent for and on behalf of Umkhanyakude District Municipality for the purpose of implementing economic, social and environmental policies and projects, as identified by or agreed with the local municipality economic development agency and all its business allied thereto and ensure the development of Umkhanyakude Municipality and its surrounding areas. The operating results and state of affairs of the company are fully set out in the attached annual financial statements and do not in our opinion require any further comment.

Net surplus of the company was R1 198 269 (2009 Restated deficit: R2 877 254) after taxation of R 9 700 (2009: R19 200).

3. Going concern

We draw attention to the fact that at 30 June 2010, the company had an accumulated deficit of R316 294 (2009: R 1 514 563) and that the company's total liabilities exceed its total assets. The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The ability of the company to continue as a going concern is dependent on a number of factors. The most significant of these is that the directors continue to procure funding for the ongoing operations for the company.

4. Owners contributions

There were no changes in the authorised or issued share capital of the company during the year under review.

5. Directors

The directors of the company during the year and to the date of this report are as follows:

Name	Nationality
H A S Fakude	South African
L F Mathenjwa	South African
W D Eckersley	South African
L E Mngomezulu	South African
J L Dodkins	South African
M Mncwango	South African

6. Holding company

The company's holding entity is Umkhanyakude District Municipality.

7. Auditors

Auditor General South Africa will continue in office in accordance with Section 4 (1) (e) of the Public Audit Act of Southern Africa No.25 of 2004.

UMhlosinga Development Agency (Proprietary) Limited
Annual Financial Statements for the year ended 30 June 2010

			Restated
Statement of financial position		2010	2009
	Note	R	R
Assets			
Non-current assets			
Property, plant and equipment	2	<u>50 018</u>	<u>47 755</u>
Current Assets			
Cash and cash equivalents	4	255 567	1 561 631
VAT receivable	3	<u>-</u>	<u>228 135</u>
		255 567	1 789 766
Total Assets		<u>305 585</u>	<u>1 837 521</u>
Net assets and Liabilities			
Net assets			
Contributions from owner	5	100	100
Accumulated Deficit		<u>(316 294)</u>	<u>(1 514 563)</u>
		(316 194)	(1 514 463)
Liabilities			
Current Liabilities			
Taxes and transfers payable	10	28 901	67 986
Trade and other payables from non-exchange transactions	6	93 386	3 053 625
VAT payable	3	352 796	-
Accruals	7	<u>146 696</u>	<u>230 373</u>
		621 779	3 351 984
Total Net Assets and Liabilities		<u>305 585</u>	<u>1 837 521</u>

Umhlosinga Development Agency (Proprietary) Limited
Annual Financial Statements for the year ended 30 June 2010

Statement of financial performance

	Notes	2010 R	Restated 2009 R
Government grants received	8	6 953 530	2 599 385
Other Income:			
Landing Fees		6 798	-
Other income		3 703	-
Operating expenses		<u>(5 782 956)</u>	<u>(5 526 012)</u>
Operating surplus (deficit)		1 181 075	(2 926 627)
Interest Received	9	<u>26 894</u>	<u>68 573</u>
Surplus (Deficit) before taxes		1 207 969	(2 858 054)
Taxation	10	<u>(9 700)</u>	<u>(19 200)</u>
Surplus (Deficit) for the year		<u>1 198 269</u>	<u>(2 877 254)</u>

Umhlosinga Development Agency (Proprietary) Limited
Annual Financial Statements for the year ended 30 June 2010

Statement of changes in net assets

	Note	Owners contributions R	Accumulated surplus/ (deficit) R	Total net assets R
Balance at 1 July 2008		100	1 362 691	1 362 791
Deficit for the year – restated			(2 877 254)	(2 877 254)
Deficit for the year – as previously reported			(908 382)	(908 382)
Correction of prior year errors	16		(1 968 872)	(1 968 872)
Balance at 30 June 2009 (restated)	16	100	(1 514 563)	(1 514 463)
Balance at 1 July 2009 (restated)	16	100	(1 514 563)	(1 514 463)
Surplus for the year			1 198 269	1 198 269
Balance at 30 June 2010		100	(316 294)	(316 194)

Umhlosinga Development Agency (Proprietary) Limited
Annual Financial Statements for the year ended 30 June 2010

Cash flow statement

	Note	2010 R	2009 R
Cash flow from operating activities			
Cash receipts received		6 953 530	2 599 385
Cash paid to suppliers and employees		(8 220 534)	(2 632 355)
Cash generated used in operations	11	(1 267 004)	(32 970)
Interest income		26 894	68 573
Taxation paid		(48 785)	-
Net cash from operating activities		(1 288 895)	35 603
Cash flows from investing activities			
Purchase of property, plant and equipment	2	(17 169)	(39 308)
Total cash movement for the year		(1 306 064)	(3 705)
Cash at the beginning of the year		1 561 631	1 565 336
Total cash at end of the year		255 567	1 561 631

Umhloosinga Development Agency (Proprietary) Limited

Annual Financial Statements for the year ended 30 June 2010

Notes to the annual financial statements

1. Basis of preparation

The annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise.

These annual financial statements have been prepared in accordance with Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003).

The principal accounting policies adopted in the preparation of these annual financial statements are set out below.

Assets, liabilities, revenues and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP.

The accounting policies applied are consistent with those used to present the previous year's financial statements, unless explicitly stated. The details of any changes in accounting policies are explained in the relevant policy.

Umhlosinga Development Agency (Proprietary) Limited

Annual Financial Statements for the year ended 30 June 2010

Notes to the annual financial statements (continued)

1.1 Property, plant and equipment

The cost of an item of office equipment, computer equipment and furniture and fittings are recognised as an asset when:

- it is probable that future economic benefits associated with the item will flow to the company; and
- The cost of the item can be measured reliably.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment.

Office equipment is carried at cost less accumulated depreciation and any impairment losses.

Item	Average useful life
Office equipment	5 years
Furniture and Fittings	5 years
Computer Equipment	3 years

The residual value and the useful life of each asset are reviewed at each financial period-end.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item shall be depreciated separately.

The depreciation charge for each period is recognized on a straight line basis in profit or loss unless it is included in the carrying amount of another asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in profit or loss when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

1.2 Taxes and transfers payable

Current tax assets and liabilities

Current tax for current and prior periods is, to the extent unpaid, recognised as a liability. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess is recognised as an asset. Current tax liabilities for the current and prior periods are measured at the amount expected to be paid to the South African Revenue Services, using the tax rates that have been enacted or substantively enacted by the statement of financial position date.

Tax expenses

Current and deferred taxes are recognised as income or an expense and included in profit or loss for the period, except to the extent that the tax arises from:

- a transaction or event which is recognised, in the same or a different period, directly in equity, or
- a business combination.

Current tax and deferred taxes are charged or credited directly to equity if the tax relates to items that are credited or charged, in the same or a different period, directly to equity.

Umhlosinga Development Agency (Proprietary) Limited

Annual Financial Statements for the year ended 30 June 2010

Notes to the annual financial statements (continued)

1.3 Owners contributions and Net Assets

A net assets instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

If the company reacquires its own net assets instruments, the consideration paid, including any directly attributable incremental costs (net of income taxes) on those instruments are deducted from net assets until the owners contributions are cancelled or reissued. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the company's own net assets instruments. Consideration paid or received shall be recognized directly in net assets.

1.4 Provisions and contingencies

Provisions are recognized when:

- the company has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- A reliable estimate can be made of the obligation.

Where some or all of the expenditure required settling a provision is expected to be reimbursed by another party, the reimbursement shall be recognised when, and only when, it is virtually certain that reimbursement will be received if the entity settles the obligation. The reimbursement shall be treated as a separate asset. The amount recognized for the reimbursement shall not exceed the amount of the provision.

Provisions are not recognized for future operating losses.

If an entity has a contract that is onerous, the present obligation under the contract shall be recognized and measured as a provision.

A constructive obligation to restructure arises only when an entity:

- has a detailed formal plan for the restructuring, identifying at least:
 - The business or part of a business concerned;
 - The principal locations affected;
 - The location, function, and approximate number of employees who will be compensated for terminating their services;
 - The expenditures that will be undertaken; and
 - When the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

After their initial recognition contingent liabilities recognized in business combinations that are recognized separately are subsequently measured at the higher of:

- the amount that would be recognized as a provision; and
- The amount initially recognized less cumulative amortization.

Umhloosinga Development Agency (Proprietary) Limited

Annual Financial Statements for the year ended 30 June 2010

Notes to the annual financial statements (continued)

1.5 Government grants

Government grants are recognised when there is reasonable assurance that:

- the company will comply with the conditions attaching to them; and
- the grants will be received.

Grants related to income are funds received from the following donors:

- Umkhanyakude District Municipality
- Industrial Development Corporation
- Development Bank of Southern Africa
- MTN S.A. Foundation

These grants are presented as a credit in the statement of financial performance.

1.6 Presentation of currency

These annual financial statements are presented in South African Rand, which is the functional currency of the municipal entity.

1.7 Going concern assumption

These annual financial statements have been prepared on a going concern basis.

1.8 Irregular Expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000) or contravention of the supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.9 Fruitless and wasteful expenditure

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the statement of Financial Performance and where recovered it is subsequently accounted for as revenue in the statement of Financial Performance.

Umhlosinga Development Agency (Proprietary) Limited

Annual Financial Statements for the year ended 30 June 2010

Notes to the annual financial statements

1.10 Leases

Leases are classified as finance lease where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality.

Property, plant and equipment or intangible assets subject to finance lease agreements are initially recognized at the lower of the assets fair value and the present value of the minimum lease payments. The corresponding liabilities are initially recognized at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest.

In discounting the lease payments, the municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant and equipment or intangibles. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to the recognition of financial instruments are applied to lease payables. The lease asset is depreciated over the shorter of the assets useful life or the lease term.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are accrued on a straight line basis over the term of the relevant lease.

1.11 Trade Payables and Borrowings

Financial liabilities consist of trade payables and borrowings. They are categorized as financial liabilities held at amortised cost, are initially recognized at fair value and subsequently measured at amortised cost which is the initial carrying amount, less payments, plus interest.

1.12 Cash and cash equivalents

Cash includes cash on hand (including petty cash) and cash with banks (including all deposits). Cash equivalents are short term highly liquid investments, readily convertible into unknown amounts of cash, which are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk change of value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, net of bank overdrafts.

The municipality categorises cash and cash equivalents as financial assets, loans and receivables.

Bank overdrafts are recorded based on the facility utilized. Finance charges on bank overdraft are expensed as incurred. Amounts owing in respect of bank overdrafts are categorized as financial liabilities: other financial liabilities carried at amortised cost.

1.13 Interest income

Interest income is recognised when it is probable that the economic benefits will flow to the entity and the amount of interest can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

1.14 Revenue from landing fees

Revenue from landing fees is recognized by reference to the stage of completion of the service, net of VAT.

Umhlosinga Development Agency (Proprietary) Limited
Annual Financial Statements for the year ended 30 June 2010

Notes to the annual financial statements (continued)

	2010	2009
	R	R
2. Property, plant and equipment	50 018	47 755

Reconciliation of Property, Plant and Equipment - 2010

	Opening balance	Additions	Total cost	Accumulated Depreciation	Depreciation	Carrying value
Office Equipment	20 252	4 209	24 461	(3 576)	(4 096)	16 789
Furniture and fittings	7 620	3 400	11 020	(106)	(1 652)	9 262
Computer equipment	24 951	9 560	34 511	(1 386)	(9 158)	23 967
	52 823	17 169	69 992	(5 068)	(14 906)	50 018

Reconciliation of Property, Plant and Equipment - 2009

	Opening balance	Additions	Total cost	Accumulated depreciation	Depreciation	Carrying value
Office Equipment	13 515	6 737	20 252	(648)	(2 928)	16 676
Furniture and fittings	-	7 620	7 620	-	(106)	7 514
Computer equipment	-	24 951	24 951	-	(1 386)	23 565
	13 515	39 308	52 823	(648)	(4 420)	47 755

3. VAT

VAT Payable	352 796	-
VAT Receivable	-	228 135

Umhlosinga Development Agency (Proprietary) Limited
Annual Financial Statements for the year ended 30 June 2010

Notes to the annual financial statements (continued)

	2010	Restated 2009
	R	R

4. Cash and Cash equivalents

Cash and cash equivalents consist of:

Cheque Account	88 245	141 882
Call Account	158 290	1 419 738
Call Account	1 000	-
Credit Card	7 994	-
Petty Cash	38	11
	<u>255 567</u>	<u>1 561 631</u>

All bank accounts of the Agency are held at Absa Bank

Cheque Account - 406 976 2605

Call Account - 9200 378 551

Call Account - 9236199818

Credit Card - 5474 7100 5019 4018

5. Contributions from owner

Authorised

1000 Ordinary shares of R1 each	<u>1,000</u>	<u>1,000</u>
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Reconciliation of number of shares issued

Reported as at 01 July 2008	<u>100</u>	<u>100</u>
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900 unissued shares are under the control of the directors. This authority remains in force until the next annual general meeting.

Issued

Ordinary	<u>100</u>	<u>100</u>
----------	------------	------------

6. Trade and other payables from non-exchange transactions

Trade Creditors	93 386	897 406
Correction of error (refer note 16)	<u>-</u>	<u>2 156 219</u>
	<u>93 386</u>	<u>3 053 625</u>

UMhlosinga Development Agency (Proprietary) Limited
Annual Financial Statements for the year ended 30 June 2010

Notes to the annual financial statements (continued)

	2010	Restated 2009
	R	R
7. Accruals		
Accruals - SARS employee taxes	113 128	97 853
Accruals - Leave pay	33 568	37 270
Accruals - Audit fees	-	95 250
	<u>146 696</u>	<u>230 373</u>

Reconciliation of accruals - 2010

	Opening Balance	Movement	Total
Accruals - SARS employee taxes	97 853	15 275	113 128
Accruals - Leave pay	37 270	(3 702)	33 568
Accruals - Audit fees	95 250	(95 250)	-
	<u>230 373</u>	<u>(83 677)</u>	<u>146 696</u>

Reconciliation of accruals – 2009 (restated)

	Opening Balance	Movement	Total
Accruals - SARS employee taxes	82 368	15 485	97 853
Accruals - Leave pay	30 165	7 105	37,270
Accruals - Audit fees	75 000	20 250	95,250
	<u>187 533</u>	<u>42 840</u>	<u>230 373</u>

8. Grants Received

Industrial Development Corp	1 949 846	1 949 846
UMkhanyakude District Municipality	852 330	649 539
MTN SA Foundation	731 400	-
DBSA	3 419 954	-
	<u>6 953 530</u>	<u>2 599 385</u>

Umhlosinga Development Agency (Proprietary) Limited
Annual Financial Statements for the year ended 30 June 2010

Notes to the annual financial statements (continued)

	2010 R	Restated 2009 R
9. Interest Received		
Bank	26 894	68 573
	<hr/>	<hr/>
10. Taxes and transfers payable		
Major components of the tax expense		
Current		
Local income tax	9 700	19 200
	<hr/>	<hr/>
Taxes payable		
Opening balance	67 986	48 786
Taxation for the year	9 700	19 200
Payment during the year	(48 785)	-
	<hr/>	<hr/>
Closing balance	28 901	67 986
	<hr/>	<hr/>
11. Cash generated used in operations		
Surplus/(deficit) before taxation	1 207 969	(2 858 054)
Adjustments:		
Depreciation	14 906	4 420
Interest Received	(26 894)	(68 573)
Movement in accruals	(83 677)	42 840
Changes in working capital:		
Increase in VAT payable	580 931	-
Increase in VAT receivable	-	(228 135)
Receivables from non-exchange transactions	-	23 801
Trade and other payables from non-exchange transactions	(2 960 239)	3 050 731
	<hr/>	<hr/>
Cash generated used in operations	(1 267 004)	(32 970)
	<hr/>	<hr/>
12. Taxation paid		
Taxes and transfers payable at beginning of the year	67 986	48 786
Current year tax	9 700	19 200
Taxes and transfers payable at end of the year	(28 901)	(67 986)
	<hr/>	<hr/>
	48 785	-
	<hr/>	<hr/>

Umhlosinga Development Agency (Proprietary) Limited
Annual Financial Statements for the year ended 30 June 2010

Notes to the annual financial statements (continued)

	2010	2009
	R	R
13. Directors' Fees		
Fees paid to the directors during the year were for the following service		
Non-executive		
For services as directors	<u>150 468</u>	<u>102 647</u>

The directors are reimbursed on their travel expenses at R3.55 per kilometer travelled plus a sitting fee of R1500 for board meetings and R750 for sub-committee meetings.

14. Management Remuneration

Chief Executive Officer - AX Gericke

Basic Salary	444 720	420 000
Travel Allowance	144 000	108 000
Cell phone allowance	10 200	10 200
	<u>598 920</u>	<u>538 200</u>

The above remuneration package was earned by Mr. AX Gericke, Chief Executive Officer of the company from 01 July 2009 to 30 June 2010.

Umhlosinga Development Agency (Proprietary) Limited
Annual Financial Statements for the year ended 30 June 2010

Notes to the annual financial statements (continued)

	2010 R	2009 R
15. Related Parties		
Ultimate Holding entity		
Umkhanyakude District Municipality is a 100% shareholder in Umhlosinga Development Agency (Pty) Ltd.		
Related party transactions		
Telephone Expenses	152 812	94 370
Salary Cost	603 027	555 169
Grant Received	<u>755 839</u>	<u>649 539</u>

Related party transactions consist of expenses paid by Umkhanyakude District Municipality on behalf of Umhlosinga Development Agency (Pty) Ltd. The salary cost is that of the Chief Operating Officer who has been seconded to Umhlosinga Development Agency (Pty) Ltd. A grant of R110 000 inclusive of 14% vat was also received from Umkhanyakude District Municipality.

16. Correction of prior year errors

The following expenses incurred during the year ended 30 June 2009 were incorrectly not accrued for at 30 June 2009. These amounts were paid during the year ended 30 June 2010.

- Project costs (excluding VAT)	1 891 420
- PAYE	<u>77 452</u>
	1 968 872
- VAT on Project costs	<u>264 799</u>
	<u>2 233 671</u>

These errors have been corrected retrospectively, resulting in a restatement of the Statement of Financial Position at 30 June 2009, and the Statement of Financial Performance for the year then ended.

The impact of this correction on the annual financial statements of as follows:

Deficit for the year ended 30 June 2009 as previously reported	(908 382)
Correction of error (net of VAT)	<u>(1 968 872)</u>
Restated deficit for the year ended 30 June 2009	<u>(2 877 254)</u>

Umhlosinga Development Agency (Proprietary) Limited
Annual Financial Statements for the year ended 30 June 2010

Notes to the annual financial statements (continued)

	2010 R	2009 R
16. Correction of prior year error (continued)		
Accumulated surplus at 30 June 2009 as previously reported		454 309
Correction of error (net of VAT)		<u>(1 968 872)</u>
Restated accumulated deficit at 30 June 2009		<u>(1 514 563)</u>
 VAT payable at 30 June 2009 as previously reported		 (36 664)
Correction of error (VAT impact)		<u>264 799</u>
Restated VAT receivable at 30 June 2009		<u>228 135</u>
 Trade and other payables from non-exchange transactions at 30 June 2009 as previously reported		 (897 406)
Correction of error (inclusive of VAT)		<u>(2 156 219)</u>
Restated Trade and other payables from non-exchange transactions at 30 June 2009		<u>(3 053 625)</u>
 Accruals at 30 June 2009 (as previously reported)		 152 921
Correction of error		<u>77 452</u>
Restated accruals at 30 June 2009		<u>230 373</u>
 17. Fruitless and wasteful expenditure		
Reconciliation of fruitless and wasteful expenditure		
Opening balance	-	-
Fruitless and wasteful expenditure current year		
- Penalties incurred on late payment of VAT and PAYE	74 007	-
- Interest incurred on late payment of VAT and PAYE	35 077	-
- Charges incurred on early cancellation of cellphone contract	<u>6 578</u>	-
Fruitless and wasteful expenditure awaiting condonement	<u>115 662</u>	<u>-</u>

The late payment of VAT and PAYE was due to the non-availability of funds at the time when payment was due. As such the penalties and interest incurred thereon was beyond the control of management. The early cancellation of the cellphone contract is currently being investigated by management, to identify the responsible party and to understand the circumstances surrounding the cancellation.

Umhlosinga Development Agency (Proprietary) Limited
Annual Financial Statements for the year ended 30 June 2010

Notes to the annual financial statements (continued)

	2010 R	2009 R
18. Operating lease commitments		
At the reporting date, the entity has outstanding commitments under operating leases which fall due as follows:		
Within 1 year	17 587	-
In the second to fifth year inclusive	52 760	-
After five years	-	-
	<hr/>	<hr/>
	70 347	-
	<hr/>	<hr/>

Umhlosinga Development Agency (Proprietary) Limited
Annual Financial Statements for the year ended 30 June 2010

Detailed statement of financial performance

	2010	Restated 2009
	R	R
Income		
Grant received - Industrial Development Corporation	1 949 846	1 949,846
Grant received - Umkhanyakude District Municipality	852 330	649 539
MTN SA Foundation	731 400	-
DBSA	3 419 954	-
	6 953 530	2 599 385
Other Income		
Tender fee income	-	-
Landing Fees	6 798	-
Interest received	26 894	68 573
Leave Pay	3 703	-
	37 395	68 573
Operating expenses	(5 782 956)	(5 526 012)
Accounting Fees	125 924	93 836
Advertising & Marketing	179 883	58 653
Auditors remuneration	47 468	95 250
Bank charges	6 495	5 459
Consulting and professional fees	37 629	6 110
Depreciation	14 908	4 420
Employee costs	2 970 356	1 939 156
Project costs	1 817 853	2 999 204
Entertainment	-	-
Minor assets expensed	-	-
Operating costs	199 668	32 117
Tender document fees	-	-
Rental - Office plants	-	-
Hire	-	-
IT Expenses	10 618	20 279
Legal expenses	-	-
Postage	3 723	1 502
Printing & stationery	18 229	26 015
Repairs and maintenance	25 288	15 228
Security	10 292	-
Subscriptions	12 754	-
Telephone and Fax	182 457	112 060
Training	27 732	27 726

Conference, Workshops and Seminar	51 826	21 175
Travel - local	39 853	67 822
Surplus/(deficit) before taxes and transfers payable	1 207 969	(2 858 054)
Taxes and transfers	(9 700)	(19 200)
Surplus/(deficit) for the year	1 198 269	(2 877 254)

**AUDITOR'S REPORT OF THE AUDITOR-GENERAL TO THE KWAZULU-NATAL
PROVINCIAL LEGISLATURE AND THE BOARD OF DIRECTORS ON UMHLOSINGA
DEVELOPMENT AGENCY (PTY) LTD**

REPORT ON THE FINANCIAL STATEMENTS

Introduction

1. I have audited the accompanying financial statements of the Umhlosinga Development Agency (Pty) Ltd, which comprise the statement of financial position as at 30 June 2010, and the statement of financial performance, statement of changes in net assets and cash flow statement for the year then ended, a summary of significant accounting policies and other explanatory information, and the accounting officer's report, as set out on pages XX to XX.

Accounting officer's responsibility for the financial statements

2. The accounting officer is responsible for the preparation and fair presentation of these financial statements in accordance with the Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and in the manner required by the Local Government Municipal Finance Management Act of South Africa, 2003 (Act No. 56 of 2003) (MFMA) and the Companies Act of South Africa, 2008 (Act No 71 of 2008) (Companies Act). This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor-General's responsibility

3. As required by section 188 of the Constitution of South Africa, 1996 (Act No. 108 of 1996), section 4 of the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA) and section 126(3) of the MFMA, my responsibility is to express an opinion on these financial statements based on my audit.
4. I conducted my audit in accordance with International Standards on Auditing and *General Notice 1570 of 2009* issued in *Government Gazette 32758 of 27 November 2009*. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.
5. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

6. Paragraph 11 *et seq.* of the Standard of Generally Recognised Accounting Practice, GRAP 1 *Presentation of Financial Statements* requires that financial reporting by entities shall provide information on whether resources were obtained and used in accordance with the legally adopted budget. As the budget reporting standard is not effective for this financial year, I have determined that my audit of any disclosures made by the Umhlosinga Development Agency (Pty) Ltd in this respect will be limited to reporting on non-compliance with this disclosure requirement.
7. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

8. In my opinion, the financial statements present fairly, in all material respects, the financial position of the Umhlosinga Development Agency (Pty) Ltd as at 30 June 2010, and its financial performance and its cash flows for the year then ended in accordance with SA Standards of GRAP and in the manner required by the MFMA and the Companies Act.

Emphasis of matters

9. I draw attention to the matters below. My opinion is not modified in respect of these matters:

Restatement of corresponding figures

10. As disclosed in note 16 to the financial statements, the corresponding figures for 30 June 2009 have been restated as a result of an error discovered during 2010 in the financial statements of the Umhlosinga Development Agency (Pty) Ltd at, and for the year ended, 30 June 2009.

Fruitless and wasteful expenditure

11. As disclosed in note 17 to the financial statements, fruitless and wasteful expenditure of R115 732 was incurred as a result of the payment of penalties, interest and cancellation charges that could have been avoided.

Additional matter

12. I draw attention to the matter below. My opinion is not modified in respect of this matter:

Other information included in the annual report

13. I have not obtained the other information included in the annual report and have not been able to identify any material inconsistencies with the financial statements.

Unaudited supplementary schedules

14. The supplementary information set out on pages XX to XX does not form part of the financial statements and is presented as additional information. I have not audited these schedules and accordingly I do not express an opinion thereon.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

15. As required by the PAA and in terms of *General Notice 1570 of 2009* issued in *Government Gazette 32758 of 27 November 2009*, I include below my findings on the report on predetermined objectives, compliance with the following key laws and regulations, MFMA, Municipal Regulations, Local Government Municipal Systems Act of South Africa, 2000 (Act No 32 of 2000) (MSA), Companies Act and financial management (internal control).

Predetermined objectives

16. There were no material findings on the report on predetermined objectives as set out on pages XX to XX

Compliance with laws and regulations

Municipal Finance Management Act of South Africa, 2003 (Act No. 56 of 2003) (MFMA)

17. The annual budget was not submitted timeously to the parent municipality

Contrary to the requirements of section 87(1) of the MFMA, the municipal entity did not submit a proposed budget to its parent municipality within the required timeframe.

18. The accounting officer did not adhere to his statutory responsibilities

- Contrary to the requirements of section 86(1) of the MFMA the municipal entity opened a new bank account and did not submit the details of the new bank account to the parent municipality.
- Contrary to the requirements section 95(c) (i) of the MFMA the municipal entity does not have a risk assessment strategy which should include a fraud prevention plan.

19. The Audit Committee did not meet regularly

Contrary to the requirements of section 166(4) (b) of the MFMA, the audit committee only met twice in the financial year as opposed to the required four times.

20. Expenditure was not paid within the parameters set by the applicable legislation

Contrary to the requirements of section 99(2) (b) of the MFMA, the municipal entity did not settle invoices totalling R2, 370 million within 30 days of receipt thereof.

21. The financial statements were not prepared in accordance with applicable legislation

- Contrary to the requirements of section 122(1) and 125(2) of the MFMA the municipal entity did not prepare financial statements in accordance with the legislative requirements and did not include all the compulsory disclosures in the financial statements.

- Contrary to the requirements of section 97(i) and 99(2)(d) of the MFMA the municipal entity did not have or did not maintain effective, efficient and transparent systems of internal control as required by legislation for debtors and revenue and creditors and payments.

INTERNAL CONTROL

22. I considered internal control relevant to my audit of the financial statements and the report on predetermined objectives as well as compliance with the MFMA, Municipal Regulations, MSA and Companies Act, but not for the purpose of expressing an opinion on the effectiveness of internal control.
23. The matters reported are limited to the significant deficiencies that gave rise to the findings on compliance with laws and regulations.

- **Leadership**

Management has not exercised adequate oversight to ensure compliance with laws and regulations and internal controls.

- **Financial and performance management**

Systems are not appropriate to facilitate the preparation of financial statements in accordance with applicable legislation.

- **Governance**

Management has not exercised adequate oversight to ensure compliance with laws and regulations resulting in a failure to mitigate the risks relating to the municipal entity. The audit committee only met twice for the year under review which is not in accordance with the MFMA.

Pietermaritzburg

30 November 2010



A U D I T O R - G E N E R A L
S O U T H A F R I C A

Auditing to build public confidence

Annexure D

“The District of UMkhanyakude is a fast land of opportunity and promise yet it is somehow unable to unlock many of these riches to the people living on the land itself.”

The above mentioned paraphrase is one I hear often and as such have unfortunately grown to become immune to it. I think many of us has fallen into this trap and as such do not see the bigger picture. With the establishment of the UMDA this has begun to change. The intervention into the Economy of any region in the world is not an easy task, and as such requires patients and insight.

TSHANENI REGIONAL AIRPORT

The big question on many lips is why an Airport? Well this is a catalyst to other developments and in case of Mkuze it will establish the town as the Central point and capital of the region. The Tshaneni airport is being developed not as a transport mode only but rather a product of tourism in the region. The Airport is a vital part of the transformation process of the regional economy not only on the Tourism front but the economy in general.

It is with this in mind that the UMkhanyakude district Municipality has it in their vision, the project to open new opportunities and enhance the current. The Land on which the airport is located is owned by the district municipality and as such the development of the property will be done on a clear policy of transformation and economic growth.

The following development is to take place on the property and will be discussed individually.

NON AVIATION

- **Small Retail complex of 20 Shops**
- **Craft centre with interactive display on resources and conservation, technique and culture.**
- **Office Park**
- **Storage facility**
- **Car rental**



- **New Car retail Lot**
- **Overnight lodging for government Officials and Business traveller**

AVIATION

- **Aerodrome Hangers (20)**
- **Terminal Building with integrated Conference Centre**
- **Complete Aerodrome runway**
- **Fire station**
- **Fuel station**
- **Service centre**
- **Training Centre and Flight School**
- **Recreational Facility for Gliders, Paragliding, Ballooning and Skydiving**

The Non Aviation

Small Retail complex of 20 Shops

At the entrance to the airport a small retail park will be build this will house 20 small retailers or alternative 10 medium. These will be for mainly purposes of tourism trading and luxury goods. The idea is to allow some of the big retailers in South Africa to contribute to the local economy in a Lower sales volume. "ALL IN ONE" Case in point we will encourage Edcon and Wooltro amongst others to set up 2 to 3 small franchises in their respective group, these will give shoppers a taste of the bigger retailer's offerings without discriminating due to smaller economies.

The concept will see the UMDA approaching large corporate Retailers to rent 2 to 4 shops and placing their different brands in each but manage the business as one larger retailer. The example will be that retailer one has 4 Brands under its wing. One a shoe shops the other clothing and another News and Books. By renting one large aria cut up in 4 small shops it creates the individual concept of a small Edgars, small CNA and a Small Red Door.

The above mentioned concept will be rolled out to food and other retail holding companies, the idea is that over time the companies will see their presence grow and access there own bigger shops in the town for retail purposes. Two shops will be kept for local SMME retail in terms of Items such as Art and Craft or Medical application Businesses.

Employment Estimates	Perm	100	Temp	300
Gender and Youth	Female	80%	Youth	90%



Craft centre with interactive display on resources and conservation, technique and culture.

The Craft Centre will see the incorporations of both sales and marketing with onsite manufacturing. The idea is for the buyer to see where materials are coming from and how these materials are preserved for sustainability. The public would more likely buy an item if they know more about its origin. The interactive display will tell the buyer of the History and Techniques used in manufacturing the craft.

By seeing how crafters make some of the Items the buyer will be able to have access to taking part in some activities this will come at a cost and the final product sold to them.

The centre will act as a Historical Centre where the Traveller through Electronic media will be able to see the historic relevance of the region both from a Cultural and the struggle side of our history. This will ensure people take more time to explore both on site but most importantly in the District.

Employment Estimates	Perm	50	Temp	150
Gender and Youth	Female	100%	Youth	50%

Office Park

To ensure that the business community is housed in a professional and safe environment the airport will house a small 20 Office, Office Park. The idea with this facility is to give access to professionals in the region to be housed in a state of the art Office facility.

The Office facility will provide Wireless network and WIFI as well as a Central Office Automation Centre (local SMME Opportunity). The UMDA will be housed in the same Premises and will provide a World Class Board Room for small meeting of up to 20 people.

The location of Law Firms, Doctors and related professionals will give the region a very much needed boost in affordable and accessible services. The idea behind the Office Automation is to provide a fast and technologically advanced service to the Business on Site and other businesses in the Town.

Employment Estimates	Perm	200	Temp	300
Gender and Youth	Female	80%	Youth	90%



Storage facility

Storage facility for goods will be build to cater for the Tourism industry and the Agricultural industry for purposes of in-transit goods. The opportunity to Refrigeration and other services to these will be investigated at later stage.

Employment Estimates	Perm	10	Temp	50
Gender and Youth	Female	50%	Youth	100%

Car rental

Car rental companies Such as AVIS and EUROPCAR will be encouraged to set-up rental services at the Airport. These services will compliment the ones currently situated in St Lucia. The plan is to expand the drive experience in the District and will look at local Tourism safety Guilds to accompany tourist to certain arias for safety purposes as well as interpretation.

Employment Estimates	Perm	30	Temp	50
Gender and Youth	Female	90%	Youth	100%

New Car retail Lot

The Opportunity to bring “First World” services to the Town will further be enhanced by the provision of a car retail Show Room on the property. This will ensure that the access to a new market will be available to a prospective retailer. This Site will be developed with the successful bidders input.

Employment Estimates	Perm	50	Temp	150
Gender and Youth	Female	50%	Youth	80%

Overnight lodging for government Officials and Business traveller

The UMDA will seek to establish a Business and Government Traveller an opportunity to stay over in a well fitted and Business traveller environment. This facility will be managed by local hospitality SMME, and will serve Dinner, Bed and Breakfast.

The provision of secure office facilities in each room will enhance the traveller experience and ensure that whatever they do in the District was done in the comforts of Home.

Employment Estimates	Perm	30	Temp	100
Gender and Youth	Female	90%	Youth	90%



AVIATION

Aerodrome Hangers (20)

The reality is that the District is an Ideal place for Owner-Pilot visitors and these people would like to have descent storage and overnight facilities for their Aircraft. It is with this in mind that the construction of 20 Hangers will be done to accommodate these individuals.

The idea is to further enhance these by locating them to some of the Prominent Tourism product owners in the District, Hotels Game farms and related. The visitor would be able to fly in park his plane and rent a vehicle from the Airport.

Further to this option there is the Possibility of a Hanger Time Share to operate from the Airport in conjunction with some of these products in the tourism industry.

Employment Estimates	Perm	25	Temp	50
Gender and Youth	Female	90%	Youth	100%

Terminal Building with Integrated Conference Centre

The approach of the UMDA with regards to the development of the Mkuze Airport is that of creating an environment of activity outside of the normal Airport activities.

The Terminal Building will be developed to house a combination of 8 small Lounges that will be linked to 8 Local Tourism Products. These facilities will rotate on tender every 3 years. The main lounge will be dedicated to the Elephant Tourism Association.

We will encourage emerging tour operators to house themselves at the Terminal building in special located arias. The enhancement of the Emerging Tourism owner will be the foundation of the development and as such creative and innovative approaches to business will be encouraged by applicants.

The Conference facility to be housed on the second floor of the terminal building will be unique in that it will provide a quick in and quick out for users. The Venue is set to take 300 people and can be cut in to smaller venues. Facility will have catering services and it will be another SMME opportunity.

Linked to the Conference Centre will be Community Based Hospitality unites of 5 En-Suite rooms per SMME. These Units all designed in the same fashion will be fully build-up and equipped units and will be distributed to 20 SMME's each housing 5



thus outsourcing 100 rooms to the SMME. The SMME will be able to provide services to the 5 rooms on site including standardised catering.

The units are currently being designed and will form part of a greater initiative of the UMDA to make Hospitality accessible and repeatable.

Employment Estimates	Perm	100	Temp	200
Gender and Youth	Female	90%	Youth	100%

Complete Aerodrome runway

To ensure that the Airport is user friendly the Runway will be widened by 10m and later lengthened by 500m. The upgrade of the PCN will form part of making the runway accessible to larger and heavier planes. The current status of 16 will be upgraded to 22.

Lighting both on the Runway and Fencing will be based on environmentally friendly applications and will include solar powered lights and Reflectors. The utilization of LED and the Latest technology will be incorporated to ensure economic operations in the long run.

Employment Estimates	Perm	60	Temp	150
Gender and Youth	Female	50%	Youth	100%

Fire station

The provision of a category 6 fire Station is fundamental to the operations of the Airport and its affiliated structures. The Fire station will be erected on the premises with two fire Trucks on Hand one to service the Runway and one to service the greater Community.

Employment Estimates	Perm	30	Temp	***
Gender and Youth	Female	50%	Youth	100%

*** Part of terminal construction

Fuel station

The Airport will have a fully operational refuelling system in place to service all Aircraft. The airport will be ensuring that the facility is utilised to the maximum and will be engaging the Aviation Industry to launch a big awareness campaign on this regard.

Employment Estimates	Perm	6	Temp	***
Gender and Youth	Female	100%	Youth	100%

*** Part of terminal construction



Service Centre

The provision of a qualified and reliable service centre for the aviation industry is vital as the Airport being the most Northern in the Province. The UMDA will later require and host the SAPS and Customs at the airport in case of foreign landings for fuel and Service related services.

Employment Estimates	Perm	10	Temp	***
Gender and Youth	Female	50%	Youth	100%

*** Part of terminal construction

Training Centre and Flight School

The opportunity presents itself to make the Tshaneni Airport a vibrant place to make Aviation assessable to all. The provision of a flight Training Centre is ideal due to the clear skies around the District and will give potential pilots the opportunity to train in one of the most beautiful sky lines in the World.

Employment Estimates	Perm	10	Temp	***
Gender and Youth	Female	50%	Youth	100%

*** Part of terminal construction

Recreational Facility for Gliders, Paragliding, Ballooning and Skydiving

This opportunity will seek to introduce the Recreational Aviation industry to the Local communities and will see the opportunities for SMME development in terms of support products and services.

The Tshaneni regional Airport is the gateway to the District SSI determined that 12% of all Durban Airport Passengers drive to UMkhanyakude for a visit. This is at the current rate of 2m PAX a staggering 240 000 PAX. The business model on this is that if only 50% of these people can fly direct to Mkuze the Airport will be financially viable.

The Tshaneni Airport is to be more than just a transport mode and as such our vision 2029 for this facility is to really share its opportunities with the people that live along-side it. The opportunities in business and services are beyond that which is normally associated with rural districts.

Employment Estimates	Perm	20+	Temp	***
Gender and Youth	Female	50%	Youth	100%



ROUTE 22

Stretching from the Memorial gate at the Hluhluwe game reserve up to the Farazela Border gate this is the new frontier of Tourism opportunity in the District of UMkhanyakude. The opportunity to transform and make sure that equity is at the forefront of innovative tourism.

The route will see the opening up of two thirds of the District to the foreign visitor and will enhance the local tourist experience. The road officially known as R22 cut through 3 towns in the District.

Tranquility Timeshare Parks, project will form the Anchor of this Route it will seek to provide adorable Timeshare opportunity to the middle class South African. The Environmentally friendly Units will all be pre-build and similar decorated. These 2 bedroom units will be sold to the public with the opportunity to utilize for 60 days a year. The parks will be located close to popular attractions within the District and will give direct opportunities to Traditional Authorities and Land Restitution Land owners. Rental will be paid on a monthly basis by every unit as part of the levy; this in return will be paid to the respective land owner.

Business opportunities for SMME's will be created at many levels those include Maintenance, Cleaning and Garden Services, Security and Tourism. With each Park a Shopping Rotunda will be build to create retail opportunity for SMME's. The parks will be build with duplication in mind and will ensure the two main objectives of tourism economy in South Africa is met namely Transformation and Growth.

The Tranquility Parks will be complemented by the business opportunities that will be highlighted from the outcome of two studies ea: a Cultural\Historic and Ecological\Natural Resource Audit. The outcome of the Audits will seek to form the basis of the Product and Opportunity investment Plan for the entire Route. The significant outcome of this Route, development is the integration of both Current and Emerging Product owners. The creation of opportunities between small local and larger corporate product developers will lead to quality products being offered to the Tourist.

The development of the Route will provide business opportunity in retail and Services that in turn will be very healthy for the much needed economy. The Parks will be well spread over the district boundaries and each will house 50, units this will ensure that well balanced environmental and economic demand.

Employment Estimates	Perm	500	Temp	500
Gender and Youth	Female	80%	Youth	100%



Wind Farms UMkhanyakude

This project will see the establishment of a Joint Venture between a Private Wind Generation Company and the UMDA. The purpose of this is to locate viable sites to place Wind Farms in the District for the generation of renewable energy.

This project is very ambitious project and will need close co-operation between all parties concerned. The balance between the needs of future energy consumers and the environmental conservation is essential; however this must be done with the economic needs of current rural communities. It is with this in mind that the UMDA and its Parent Body UMkhanyakude District will embark on seeking the best viable option to strike a balance between the future and current challenges.

The shareholding of 50% of future Wind Farms is to be held in Local ownership this will be spread between local government Traditional Authorities and Private Business. This will ensure the wide spread economic impact in the entire district and will create multiple partnerships. By creating these partnerships the economic opportunity and risk is spread between private and public sector.

In the fields of Technology Transfer and education the successful bidder will commit to the local assembly of Wind Turbines as well as the Operation and Maintenance of such equipment. The linking with a local University will be essential to ensure such technology transfer is well founded in the engineering programs, manufacturing of some parts and the assembly of the turbines and Wind Fans will create a unique opportunity to transfer skills and technology into the unskilled and technical lower skills market.

Employment Estimates	Perm	500	Temp	1000
Gender and Youth	Female	50%	Youth	80%

Lebombo Rail Corridor (revitalization)

The rail Line between UMhlatuze City and the Swaziland Border is operating at a 15% capacity this creates the opportunity to utilize the rail line for the development of new SMME and Corporate economic growth. The Commuter transport and Freight is currently congesting the N2 and this is first and foremost a safety aspect and then an economic melt down aspect. The bottleneck effect that the congestion of this route has means more maintenance more often.

The revitalization of the rail line firstly for commuter transport will see greater movement of people between these centres. The journey can take up to 2 hours one way at a safe and comfortable speed and in an n environment that will be conducive to business opportunity for SMME's in the line of Catering, Security, Retail and services.



This project will seek to have the current Taxi Industry as vital shareholder and the current taxi market will be concentrated to “Fish-Grade” from stations to commute people to and from the stations located at; Empangeni, Kwa-Mbonambi, Mtubatuba, Hluhluwe, Mkuze and Gollela.

Freight is currently obstructing the N2 between Pongola and UMhlatuze City and if the distance of road movement can be reduced by the utilization of the route via Swaziland this will greatly impact on the making the N2 user friendly to accommodate the largest income generating industry in the Region namely tourism.

The line is in good condition and is strategic located between the Mozambique and Swaziland Borders. This should be seen as a competitive advantage and as a country with large resources in service industry we should be focusing on these corridors.

Employment Estimates	Perm	120	Temp	200
Gender and Youth	Female	80%	Youth	100%

UHLAZA (Green Village Development) Mkuze Town

This private sector initiative will see the township of Mkuze being established as a fully fledged Town and Capital of the District. The upgrade of sewer and water supply roads and storm water is amongst the infrastructure investment that will be made in the entirely new suburb.

The Development will see the construction of 1200 middle-upper middle income housing consisting of 10 designs of 2 to 4 bedroom houses. The shopping Mall will see the establishment of a 36000m² retail area and 30 light industry sites.

Several offices for Private and Government sector use will be constricted and this will include the satellite campus building and a private clinic. The establishment of at least 3 large low emissions Industrial Sites will see the location of companies such as Eskom and other larger industrial companies to the Town due to the central location.

The suburb will be the first of its kind to incorporate low income housing as part of the security network that is set-up in the town parameters. The integration of all communities regardless of income is a common occurrence in the district and will for the first time be formalized.

The Suburb will have sport and Educational facilities and a safe Play park for children a low cost pendant access control system will be implemented on both residential and commercial areas.



The town will utilize two watering systems one for drinking and one “for Grey” water system with a bio-recycling system that will feed amongst others a large “manmade” lake in front of a new 60 bed Budget hotel.

This development will feed into the Tshaneni airport development and will form the basis of a completely new and first world standard Town and Center for commercial activity and basis of the Local Government seat in the Region.

Employment Estimates	Perm	2500	Temp	1000
Gender and Youth	Female	80%	Youth	100%

Alroy Gericke
Chief Executive Officer

